

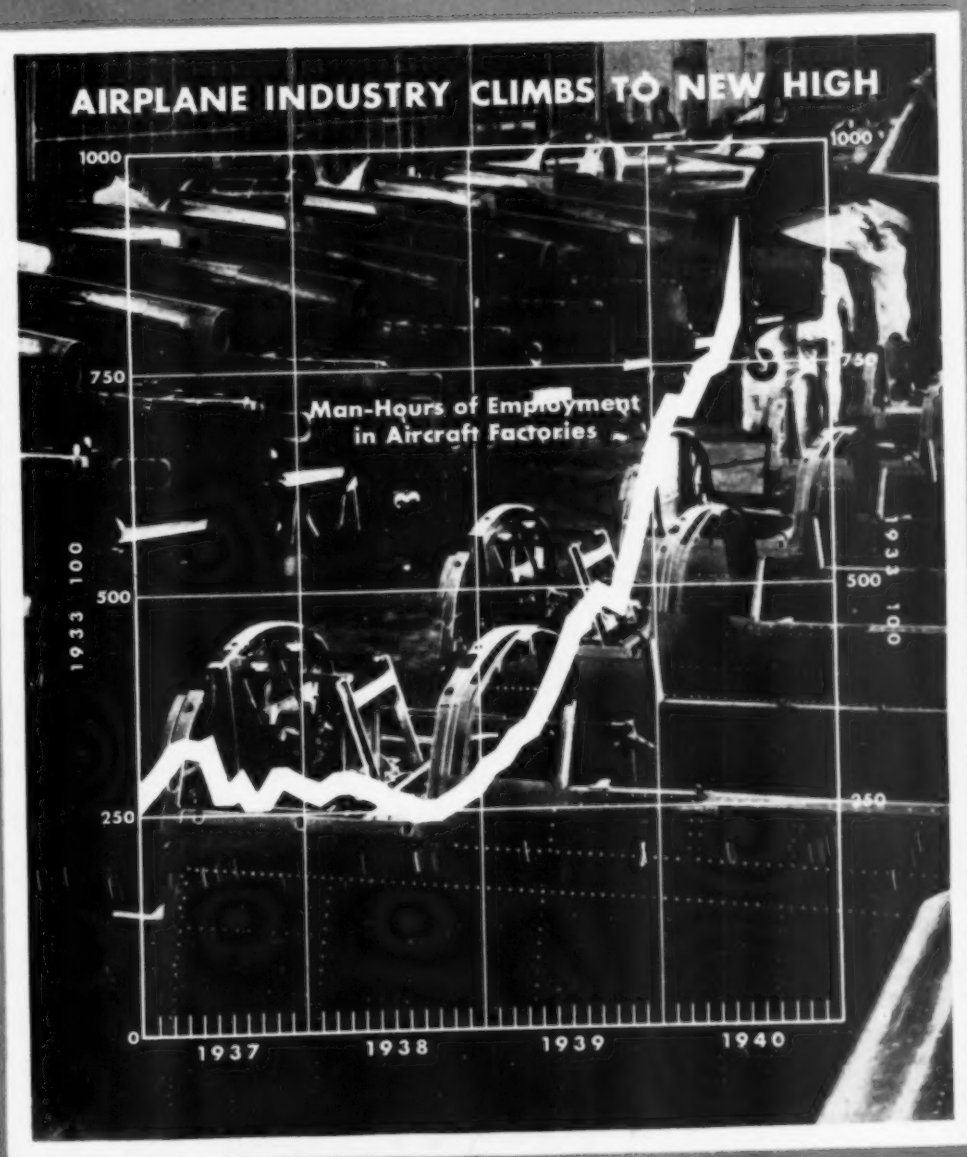
J. G.  
1940

WEEK  
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# BUSINESS WEEK

AUG 5 1940



INESS  
CATOR

PUBLISHED BY THE MCGRAW-HILL PUBLISHING COMPANY, INC. • TWENTY CENTS A COPY

# The Case of the FUGITIVE VAPORS

**SOLVED  
WITH  
PREVENTIVE  
MAINTENANCE**

VAPORS out of control—creeping, surging through the outlet that should have been closed—vapors escaping from the refinery still, destroying the vacuum—causing costly shutdowns!

This was the situation faced by a refinery whose output of high character oils was seriously endangered.

The cause was easy to understand—its correction not so simple. A 16-inch double-disc gate valve had jammed in the open position. Control of vapor flow was lost—the degree of vacuum could not be regulated.

When the Crane representative was called in to recommend a remedy, he saw a chance for the application of Preventive Maintenance. The double-disc gate valve was replaced with a wedge disc type which eliminated the possibility of the valve jamming in an open position—

eliminated, too, the danger of costly shutdowns due to this cause.

Preventive Maintenance is the application by your superintendent of corrective measures on your pipe lines. These measures will prevent trouble from valves of incorrect design or improper materials by recommending the use of the right valve for each service condition.

Preventive Maintenance prevents the replacing of a valve with another just like it without careful consideration as to whether that valve is the one best suited to the job.

Crane Co. will co-operate with the man responsible for piping in your plant to assist him in spotting sources of valve trouble and will assist him in applying Preventive Maintenance to your pipe lines—an application that may represent many dollars in savings to you.



No. 465 Standard Iron Body  
Wedge Gate Valve, Flanged



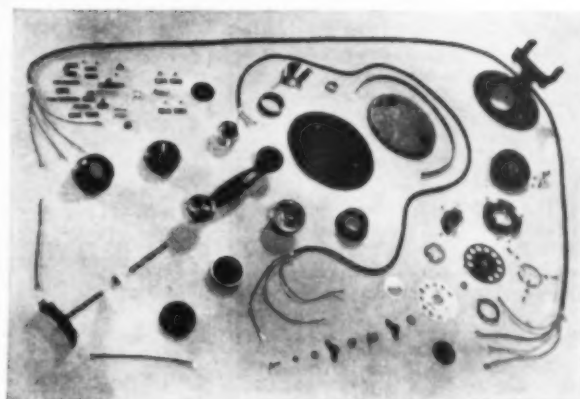
# CRANE

CRANE CO., GENERAL OFFICES:  
836 S. MICHIGAN AVE., CHICAGO  
VALVES • FITTINGS • PIPE  
PLUMBING • HEATING • PUMPS

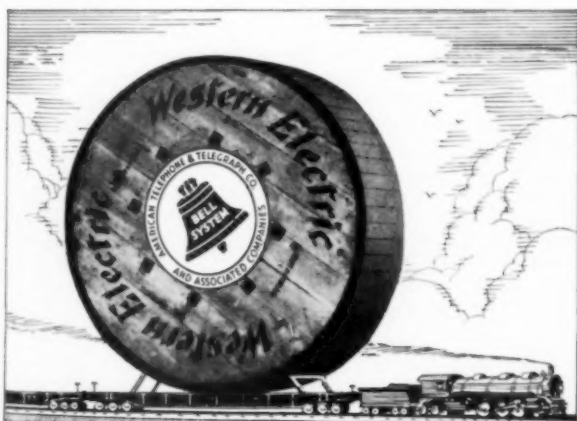
NATION-WIDE SERVICE THROUGH BRANCHES AND WHOLESALERS IN ALL MARKETS



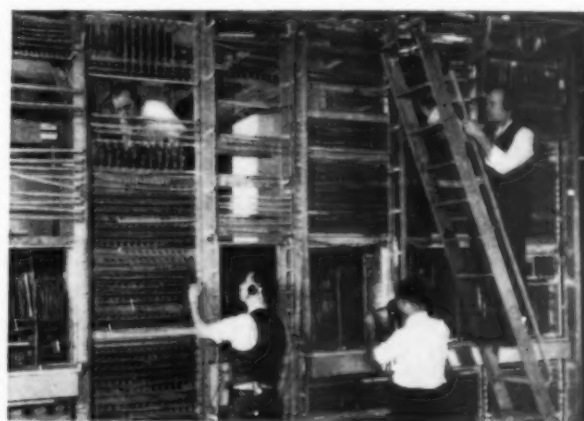
**BOUGHT** poles, trucks, copper: more than 100,000 things entering into telephone service. Purchasing is one of four responsibilities of Western Electric in the Bell System.



**MANUFACTURED** and assembled 326 pieces to make your telephone. Western Electric produces 43,000 different designs of apparatus for the nationwide Bell Telephone service.



**DELIVERED** all these products to your telephone company. This giant reel represents the amount of cable alone shipped to New England to repair the '38 hurricane damage.

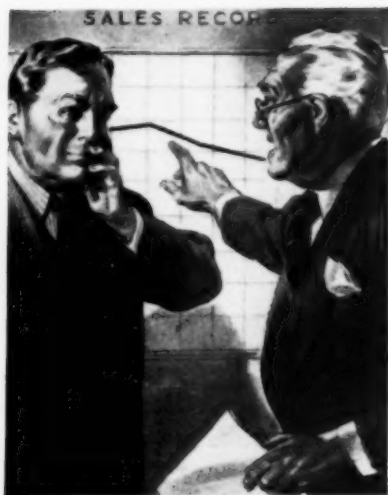


**INSTALLED** telephone central offices, those intricate switching centers containing in a single exchange thousands of miles of wire and millions of electrical connections.

**Western Electric** ... is back of your  
Bell Telephone service



## "...BUT I'M NEW THERE MYSELF"



"THAT territory has never been developed," said the General Manager. "It has a foreign-born population we've never covered properly. I suggest you hire an assistant and a salesman who know those people and speak their language."

The new branch manager nodded doubtfully. "Good idea," he agreed. "But it will be a tough proposition to get the right men. Don't forget, I'm new there myself."

"I realize that," he was told, "but here's a suggestion."

A week later the new manager shook hands with a Buffalo banker, thanking him for his cooperation. In his other hand was complete information about four men of the type and experience he needed to develop the territory. He quickly selected two who, in a short time, were helping to build a new sales record.

The branch manager was able to get this information because his company is a Marine Midland customer—and because there is a Marine Midland bank in Buffalo. There are many other services available to industry and business operating in New York State.

There are Marine Midland banks in 37 other trading centers throughout the state. Any of our officers will gladly show you how we, through these banks and their knowledge of their local communities, can save your business time and money in New York State—the world's richest market.



**THE  
MARINE MIDLAND  
TRUST COMPANY OF NEW YORK**  
120 Broadway

*At the Gateway to New York State, the  
World's Richest Market*

Member Federal Deposit Insurance Corporation

## NEW BUSINESS

### Heat Wave

FORTUNATELY, the thermometer could take the blame for all the following brainstorming this week.

In Minneapolis, a restaurant owner invited business men to bring along their stenographers and typewriters and work in one of his air-conditioned booths between 2 and 5 P.M. daily.

In Cleveland, a bus driver pulled up to the curb, ran into a corner drug store and bought ice cream cones for his eleven passengers.

In Flushing, a man who had been washing windows for 17 years, started smashing them instead.

In Minneapolis, the North American Casualty Co. sent electric fans to all its sickness policy holders who were in the hospital.

In Seattle, the University of Washington announced the invention of an air-conditioned bed—with an air cushion under the sleeper, and an air blanket over him, and a knob at the head of the bed, so he can dial the undercover temperature he prefers.

And in a dozen magazines Monsanto Chemical Co. broke a four-color page ad, which turned out to be a boomerang gag. It showed Santa Claus using a Monsanto wrapping on his presents, saying, "It Looks Like a Vupack Christmas."

### Culled From the Ads

HEARN'S DEPARTMENT STORE in New York this week advertised a dog soap called "Shampooch."

John Ward, the men's clothing store, advertising Jantzen swimming trunks, told prospective buyers that they would make them "snap out of that beach-coma!"

Elizabeth Arden, eager to pummel the girls into shape so they could get away with those bare-midriff fashions, asked "Can You Bare It?"

And Simon & Schuster, the publishers, plugging a new book called, "A Home of Your Own—and How to Run It," announced that "this book has been written for every woman from the startled bride who thinks basting is a swear word, to the seasoned housekeeper who knows it might just as well be."

### Index

DR. FELIX CUNHA, a San Francisco gastro-intestinal specialist, recently charted the incidence of stomach ailments against the Dow-Jones averages. Skidding downward to the right went the Dow-Jones averages, sailing upward to the right went the number of business men with bum stomachs. The complete picture, in the shape of a rough X, showed that as business got worse, so did

business men's stomachs. Logical as that thesis is, though, we'd like to get to work on the reverse of it—that when business men get stomach trouble, business recedes.

### Defense Notes—Continued

FATHER DIVINE sent a petition to the Senate asking the United States to buy the other American nations if necessary, in order to unite the Western Hemisphere.

The Miami laundry which originated the slogan, "It's Great to Be an American," has extended the bounds of its patriotism to the point where it is now cleaning all American flags free.

Combining salesmanship with the lagging fifth-column hunt, the distributors of a minor motion picture with the fire-eating title, "Hitler, Beast of Berlin," suggest these "exploitation" ideas to exhibitors:

"Fly your print into town in an airplane. Every evening send your print to a bank vault for safekeeping. Stress the point that foreign agents, spies and saboteurs would destroy your print unless these precautions were taken. Distribute dodgers offering a reward for any plot against your print."

### Close-Out

FOR THE LAST TWO WEEKS the New York World's Fair has been having a bargain sale. It's been selling out all the uniforms and equipment used by the 1939 Fair employees. This year uniforms were standardized, and fairly simple, in keeping with the "Hello, Folks" theme of the 1940 Fair. But last year, you may remember, anything went, and there were hardly two uniforms alike. Any employee wearing less than four epaulettes, though, and a yard of gold braid, was considered undressed.

These are the outfits that the quartermaster at the Fair has been selling for two weeks, at half-cost, to all employees on the grounds. Sales have been running along at a nice steady clip of about \$500 a day. Sam Browne belts, trench coats, silk scarves, shoes, dresses, and the like have been selling well—but they were expected to. What's got the quartermaster pleasantly puzzled is the fact that he's doing a land-office business in swagger sticks, riding crops, cork helmets, the outfits used by the Indian Guard of Honor, and gabardine or white linen uniforms trimmed with vari-colored braids. What he can't understand, though, is that if the purchasers are going for stuff like that, why he can't get those silk-lined doormen's capes off his hands. It's a market, he declares, that defies analysis.



# WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Look out for something sizzling from the White House—probably tied up with the war, since that seems the most promising. Roosevelt doesn't like the looks of the political situation as it stands today.

He is the most resourceful figure in recent politics, and you can be sure he has no intention of letting things drift—possibly to a Willkie victory. He is disturbed by the polls of popular sentiment and by the shrinking of betting odds from 9-to-5 down to 6-to-5.

He's worried by the bolters, and he's worried about New York State, with its vital 47 votes which it seems the Republicans must have in order to win. If Jim Farley were pulling in harness, Roosevelt might ignore the other 47 states. But Jim is going to be very busy about other things in September and October, isn't even going to work at his job as New York State chairman.

## Draft Reaction Hurts

CONSCRIPTION isn't turning out, politically, as the President hoped. There is no division on party lines, but the snipers in his own party, who say they are going to vote for him, are making trouble. He suspects that some of them—Burt Wheeler, for one—are actually making this fight in the hope of defeating him.

So something must be done which will make folks forget everything else. Watch for it. It's going to be a humdinger!

## Set Voluntary Priorities

INFORMAL PRIORITIES to secure precedence for Army and Navy contracts over commercial orders and to determine the order in which goods are delivered on government contracts have arrived. The system amounts to little more than a "dress rehearsal" to date, but contracts are being written with delivery dates definitely specified; acceptance of such contracts automatically compels the contractor to reshuffle his other business to meet the deadline if necessary.

Principal drawback of this voluntary system is that it doesn't reach beyond the original contractor to commit his suppliers, but so far this isn't a problem because most manufacturers are equipped to handle all business that comes their way. Where trouble develops in filling sub-contracts, the Defense Commission and Purchase Coordinator Donald M. Nelson are ready to step in with requests for voluntary priorities.

## Tighter Controls Ahead

THE ARMY AND NAVY have arranged a working system of precedence for filling their own orders. A priorities division of the Army and Navy Munitions Board, under Lt. Col. A. B. Johnson, is charged

with the job of telling manufacturers which orders to fill first, second, third, etc. Decision of what comes first is based wholly on equipment needs. Thus, one order for armor plate for tanks might be keyed ahead of another similar order, while armor plate for ships would be sandwiched between.

The Army and Navy Board is intent at present on ironing out production problems on such non-commercial items, in addition to armor plate, as rifling machines, optical glass, and certain aluminum products.

## Precedent



Wide World

JUDGE ROBERT PORTER PATTERSON was on kitchen-police duty at the Business and Professional Men's Training Camp in Plattsburg, N. Y., last week when he was notified of his nomination as Assistant Secretary of War by Brigadier General Frank M. Andrews (right, above). Though the White House says Patterson was named at Secretary Stimson's request, according to the "precedent" whereby the Secretary names his own assistant, nobody around Washington recalls the "precedent"—least of all Louis Johnson. Big question is not what Patterson will do, but what Johnson will do. Johnson, a former commander of the American Legion, is popular, was talked about first for the secretaryship, then for the vice-presidency, before Wallace got the nod. Willkie advocates are hoping this means lots of Legion votes alienated from F. D. R.

★ Looking ahead: When formal priorities come, they will be directed by Nelson. He is now preparing a report for the President's guidance. Recently-enacted legislation is not popular with either the Army or Navy because it only permits putting service contracts ahead of private orders, doesn't refer specifically to putting a private order ahead of another one. Frequently a private order—of machine tools, for example—may be more essential than an Army or Navy order.

## For Publicity Only

THE DEFENSE COMMISSION sent both the Army and Navy up in the air this week by making public a long list of contracts totaling \$1,650,000,000, which it reported as having "cleared." The inference, of course, is that the defense program is going ahead great guns. But at the War and Navy Departments it was learned that the list includes contracts awarded weeks ago, many more that have not been awarded because bidders are waiting on assurance regarding amortization of plants. The Navy is upset because the list includes contracts which it regards as secret.

## Arnold Is Checked

THE CLASH between the Defense Commission and the Justice Department on anti-trust policy had to come, but Trust Buster Thurman Arnold probably will succeed in holding out against any wholesale scuttling of the anti-trust laws, possibly will succeed in exacting a reservation that if prosecutions are held in abeyance now they can be picked up later without prejudice to the case.

But if Arnold is forced now to drop the suit to break up the major integrated oil companies (scheduled to be filed this week until the Defense Commission intervened), it will be a signal defeat, for the case will have been sidetracked for reasons that he does not consider substantial.

★ Prediction: That the Department of Justice will file its suit when the Defense Commission has satisfied itself that action will not interfere with the specific program which it is asking the oil industry to undertake—the manufacture of synthetic rubber and toluol involving heavy investment and the extension of pipe lines in certain localities.

## Only a Third for Defense

DEFENSE NEEDS, particularly for aluminum, were paraded to support the boost in TVA's power-generating capacity for which Congress provided \$25,000,000 voted this week. Less than a third of the 300,000 kw. of added capacity is specifically allotted, however, for defense purposes. Only 80,000 kw. is set aside for the

# WIDELY SEPARATED SCHOOL ROOMS ARE PROPERLY HEATED

Webster Hylo System Solves the  
Difficult Heating Problem of  
Baltimore Private School

DESIRED HEAT IN EVERY ROOM

Heat Delivery to Rooms Not in  
Use Can Be Shut Off Without  
Affecting Rest of School

REQUIRES 40 P.C. LESS OIL

Baltimore, Md.—A great improvement in heating the Roland Park Country School, a large, low building with extensions over a wide area designed to provide proper light in each classroom, was brought about in the summer of 1939 by the installation of a Webster Hylo System.

The original installation, while adequate, did not perfectly meet the heating needs of widely separated classrooms, gymnasium, study hall and library. Heating had been accomplished partly by one-pipe steam system and partly by gas-steam radiation.



Views showing Roland  
Park Country School,  
Baltimore, Md.

The Roland Park  
Country School says:  
"With the Webster  
Hylo System, every  
room is heated to  
the desired temper-  
ature. When a sec-  
tion of the school is

not in use, heat delivery to that section can be shut off without affecting room temperatures in the rest of the school. Gas odors, of which there had been occasional complaint, have been eliminated."

A survey of heating costs for the first few months with the modern, two-pipe Webster Hylo System shows that oil consumption has been reduced 40 per cent.

There are new Webster Thermostatic Traps on 89 radiators. Seven Webster-Nesbitt Unit Heaters are also in use.

Wm. E. Wood Co., of Baltimore, acted as modernization heating contractor. Installed direct radiation totals 12,000 sq. ft.

## LOW HEATING COST

GET THIS BOOK... Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J.  
Pioneers of the Vacuum System of Steam Heating  
Representatives in 65 principal U. S. Cities—Est. 1888

Aluminum Company's plant at Alcoa, and 14,000 kw. for the British powder plant being built at Memphis. The rest is assigned for TVA's "normal growth" and minor uses.

The projected expansion of TVA, now reported to be buying power to save its own water, recalls a three-year-old decision of the Federal Power Commission refusing permission to the Aluminum Company to build an additional 50,000 kw. hydro plant of its own on the Yadkin River in North Carolina. Today this would be available to meet defense needs.

TVA's new dam won't be ready to operate till August, 1942, its new steam plant six months earlier.

## Synthetic Surprise

TO HASTEN THE DAY of American rubber independence, B. F. Goodrich Co. and Phillips Petroleum Co. have formed jointly the new Hydrocarbon Chemical & Rubber Co. which will combine facilities of the two firms for manufacture of synthetic rubber. Headquarters: Akron. \*Presumptions: Goodrich will contribute its new Ameripol synthetic rubber (BW—June 15 '40, p. 42) plus a wide production experience; Phillips will contribute big reserves of the raw hydrocarbons for making synthetic rubber's butadiene base. Both will contribute big research facilities and background in their respective fields.

## Diesel Tank Dispute

GUIBERSON radial (air-cooled) diesel engines, of which the Army has just ordered 500 at a cost of \$2,915,255, will be used to power tanks. Army tanks for some years have used gasoline radial engines exclusively, but this order brings the diesel engine for tanks out of the experimental stage for the first time. It also points up a conflict in policy since other quarters in the Administration are dead set against any military reliance on diesels for portable equipment—tanks, mounted guns, and material handling equipment—because of less adequate distribution of diesel fuel and comparative scarcity of good diesel mechanics. The Guibersons will be built under license by the Buda Co., which is expanding its Harvey, Ill., plant to attain a production of eight to 10 engines a day.

## British Still Get Gas

ROOSEVELT'S EMBARGO on all exports of aviation gasoline, except to the hemisphere, will not hurt Britain, if the experts are right in their interpretation of the order. Canada's three refineries, which work on Mexican oil, will ship their entire product to Britain, importing from us what they need domestically.

## Retain Training Planes

SCHEDULED EXPANSION of this country's air force raises anew the problem of allocation of plane production as between the U. S. and Britain. Knudsen, of the De-

fense Advisory Commission, Morgenthau, and Purvis of the British Purchasing Commission have been discussing the subject. It is not publicly admitted, but the decision has been reached that most of the actual combat planes will still go abroad, while the U. S. retains the training planes. This fits in with our present need, which is to train a big pilot force while capacity for big air fleets is built up.

\*Discount: Grandiloquent British announcements that they will be taking delivery here of 3,000 planes a month by January are assumed to be for home consumption. It shows, if anything, that the British aren't going to ride along on U. S.-stimulated plant expansion but will continue to invest their own money in plant.

## Consumer Section Acts Tough

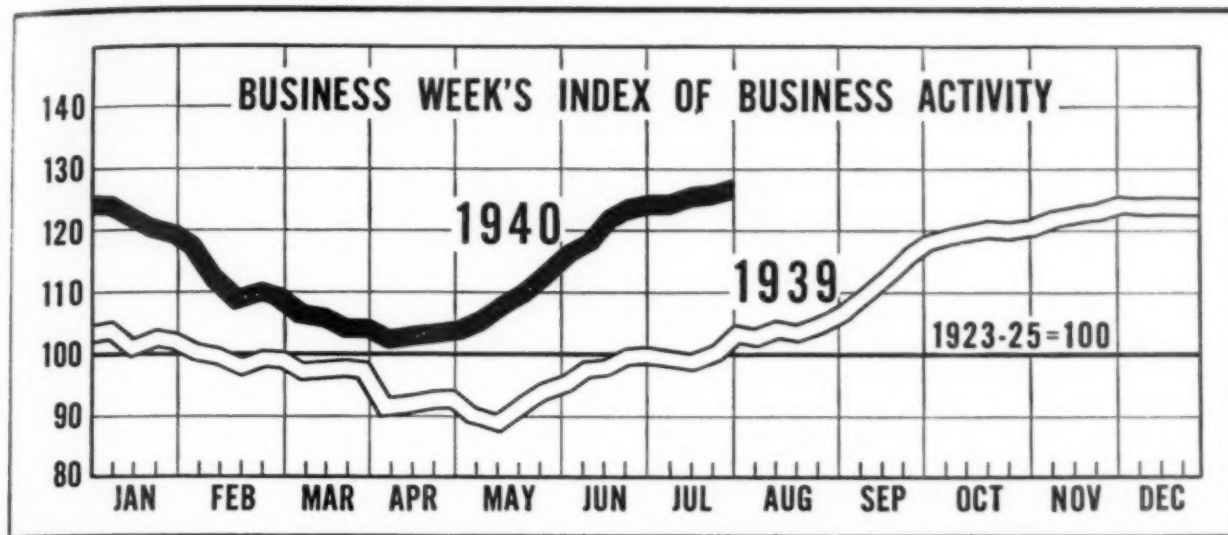
BE PREPARED to revise any early opinion that the appointment of Dr. Harriett Elliott as consumer representative on the Defense Commission was nothing more than "window dressing." If her present ambitious plans go through, the division will become a super-consumer agency for the government, with auxiliary committees in every state and in many cities.

In addition to coordinating the work of existing consumer agencies in the government, Dr. Elliott is planning to seek control of the timing of orders and deliveries on non-military defense items to prevent sky-rocketing of prices. Supplementing this work inside the commission, her division plans to use publicity, direct action by regular consumer groups and newly-formed auxiliary committees, and government pressure to keep prices down on consumer goods.

## P. S.

NOTE to commercial travelers: Federal Communications Commission is considering a survey of long-distance phone rates charged at hotels, with a view to standardization of surcharges. . . . ROOTERS for a 100% federal program of defense road construction have been squelched by Secretary Stimson's attitude that a good commercial road system is all that is needed for defense. Minor local exceptions—connections to cantonments and the like—will be handled through WPA. . . . DECISION of Wright Aeronautical Corp. to locate its \$92,000,000 engine plant at Cincinnati not only doubles Wright's production of military-type radial engines, adding 12,000 a year of capacity, but also marks the first big break in the industry's resistance to the Administration's desire for decentralization of defense plants. . . . STANCH PATRON of the man with an off-center idea, Kettering of General Motors heads a national inventors' council, formed under Commerce Department auspices, to encourage inventions and appraise their possible utility in national defense.

## THE FIGURES OF THE WEEK

THE INDEX.....  
PRODUCTION

	Latest Week	Preceding Week	Month Ago	8 Months Ago	Year Ago
Steel Ingot Operations (% of capacity).....	90.4	88.2	74.2	77.3	89.3
Automobile Production .....	34,822	53,020	87,550	106,400	40,595
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$17,119	\$15,341	\$9,539	\$8,394	\$7,975
Electric Power Output (million kilowatt-hours).....	2,601	2,524	2,514	2,566	2,342
Crude Oil (daily average, 1,000 bbls.).....	3,690	3,580	3,640	3,612	3,539
Bituminous Coal (daily average, 1,000 tons).....	1,300	1,382	1,326	1,653	1,186

## TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	72	72	75	66	68
All Other Carloadings (daily average, 1,000 cars).....	50	51	47	42	41
Check Payments (outside N. Y. City, millions).....	\$4,255	\$4,737	\$4,179	\$4,279	\$3,977
Money in Circulation (Wednesday series, millions).....	\$7,854	\$7,872	\$7,780	\$7,365	\$7,002
Department Store Sales (change from same week of preceding year).....	+9%	+7%	+10%	+4%	+8%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	152.3	154.3	155.4	160.5	141.9
Iron and Steel Composite (Steel, ton).....	\$37.53	\$37.57	\$37.76	\$37.09	\$35.87
Scrap Steel Composite (Iron Age, ton).....	\$18.17	\$18.17	\$18.92	\$17.33	\$15.17
Copper (electrolytic, Connecticut Valley, lb.).....	10.804¢	10.604¢	11.013¢	11.656¢	10.292¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.68	\$0.68	\$0.75	\$0.98	\$0.62
Sugar (raw, delivered New York, lb.).....	2.64¢	2.67¢	2.73¢	2.85¢	2.90¢
Cotton (middling 1/8", ten designated markets, lb.).....	10.08¢	10.10¢	10.44¢	10.33¢	9.39¢
Wool Tops (New York, lb.).....	\$0.993	\$0.962	\$1.005	\$1.064	\$0.874
Rubber (ribbed smoked sheets, New York, lb.).....	20.90¢	22.12¢	21.29¢	18.76¢	16.58¢

## FINANCE

Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.78%	4.77%	4.92%	4.86%	4.76%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.25%	2.29%	2.32%	2.31%	2.14%
U. S. Treasury 3-to-5 year Note Yield.....	0.57%	0.56%	0.67%	0.48%	0.43%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%
Business Failures (Dun & Bradstreet, number).....	233	288	286	302	291

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	20,984	20,932	20,681	19,163	17,601
Total Loans and Investments, reporting member banks.....	23,947	23,743	23,581	23,183	22,135
Commercial and Agricultural Loans, reporting member banks.....	4,462	4,464	4,399	4,316	3,899
Securities Loans, reporting member banks.....	887	882	862	1,119	1,209
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,671	11,644	11,610	11,308	10,682
Other Securities Held, reporting member banks.....	3,562	3,582	3,536	3,339	3,259
Excess Reserves, all member banks (Wednesday series).....	6,570	6,880	6,800	5,592	4,485
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,491	2,501	2,511	2,514	2,512

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	96.3	95.0	94.2	117.2	116.9
20 Railroads, Price Index (Standard Statistics).....	26.7	28.3	28.0	30.6	29.0
20 Utilities, Price Index (Standard Statistics).....	61.6	61.5	61.7	70.0	72.2
90 Stocks, Price Index (Standard Statistics).....	80.2	79.2	78.6	96.3	96.2
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	378	1232	501	566	726

\* Preliminary, week ended July 27th. † Revised. ‡ Date for "Latest Week" on each series on request.





## BLACK LIGHT BAGS CROOKS

*Clever forgeries detected by new development of G-E research*



**2 THE SECRET** is that alterations frequently show a different fluorescent character than the original under ultra-violet rays. As a result this lamp has many practical uses. Laundries using black light can mark shirts with invisible ink. One laundry (above) washed 14,000 shirts in a week without error. Is there a place in your business for this "black light"?



**4 SQUEEZE EXTRA LIGHT FROM A 100 WATT BULB?** G-E research is doing it all the time! By improving the filament. By purifying the argon gas inside. And by other improvements in manufacture which make today's 100 watt G-E MAZDA lamp give nearly 50% more light, cost 86% less than same size in 1921. Lamp Department, General Electric Co., Nela Park, Cleveland.

## G-E MAZDA LAMPS

### GENERAL ELECTRIC

*Year by year, better lamps for every purpose*



**1 THE POLICE WERE SURE** the check had been tampered with. But it showed no signs of alteration... until it was exposed to the invisible "black light" of a special G-E lamp. Under its searching ultra-violet rays, the original name glowed faintly... and another clever forger was brought to justice.

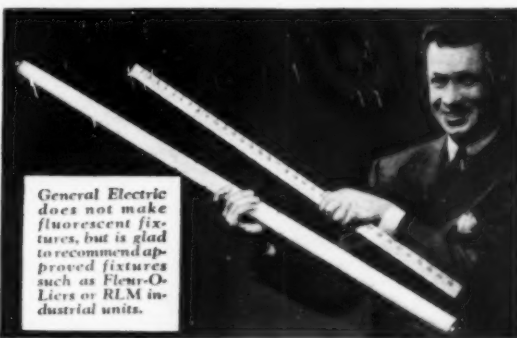


**3 THE STREAMLINED LIGHTING** in this new deluxe Pullman lounge car now serving the New York Central is good functional design because the lamps are the new G-E MAZDA "F" lamps. Ask your G-E lamp man or your electric service company about these fluorescent tubes that provide new high levels of illumination for business and industry.

## HOW TO GET YOUR MONEY'S WORTH OF LIGHT!

Whether you operate a laundry or a railroad, General Electric makes lamps to fit your needs. Because G.E. makes all types of lamps, you can be sure of an unbiased lighting recommendation. Perhaps better lighting can play an important part in improving your business.

For example, the new fluorescent lighting can help give your store, factory, office, or restaurant 50 footcandles or more of cool fluorescent "daylight" or white light using G-E MAZDA F lamps alone or with other types of G-E MAZDA lamps. Phone your G-E lamp man or your electric service company for the facts!



General Electric does not make fluorescent fixtures, but is glad to recommend approved fixtures such as Fleur-O-Liers or RLM industrial units.

August 3, 1940

## THE BUSINESS OUTLOOK

**Tax uncertainties and knots in defense program delay executive decisions but markets reflect strengthening confidence in underlying trend. Business watches developments of Washington conferences.**

A SUDDEN rise in the price of copper (page 43) and a rally in the stock market (page 41) enlivened an otherwise humdrum week in business and carried a faint suggestion that maybe, at long last, speculative confidence was catching up with the high level of the BUSINESS WEEK Index.

For the most part, however, attention veered away from the markets and statistics. Main interest was Washington, where (1) Defense Commissioner Knudsen attempted to persuade airplane manufacturers to anticipate the passage of a five-year amortization law and start work at once on plant expansion and (2) Congressional leaders and Treasury officials tussled over provisions of an excess profits tax bill (page 15). For a change, business men's luncheon table conversation was dominated by domestic political affairs rather than by war strategy.

### Defense Key to Trend

The logic behind this is clear. Government orders for national defense have already attained a greater stature than the dollars Great Britain is spending on munitions here. Thus defense has become the major force in our economy (*BW—Jun 22 '40, p13*), and the speed with which the Army and Navy get their orders out will directly influence both the immediate and the long-term trend of business.

That's why the Knudsen conferences with the airplane manufacturers assumed such importance in business men's eyes. As soon as the contracts are signed, new construction will start, boosting employment and payrolls among building workers.

### Want Some Guarantee

But naturally manufacturers who are in a comparatively new industry such as airplanes are reluctant to enter upon plant expansion programs without some form of money-back guarantee. Most of their earnings have already been plowed back into plant, and they haven't been in business long enough to have built up a cash reserve sufficient to cushion against large losses in a major financial undertaking.

Intimately interwoven with amortiza-

tion is the excess profits tax. While the tax bill hangs fire, it also tends to delay forward planning. For though we customarily think of an income or profits tax as something to be paid out of what's left over after earnings, the fact of the matter is that a corporation executive never knows what his earnings are until after he's figured up his taxes; indeed, since, as a practical matter, taxation is a first charge against earnings, there are no earnings until after federal taxes have been provided for.

### Long-Term Contracts Delayed

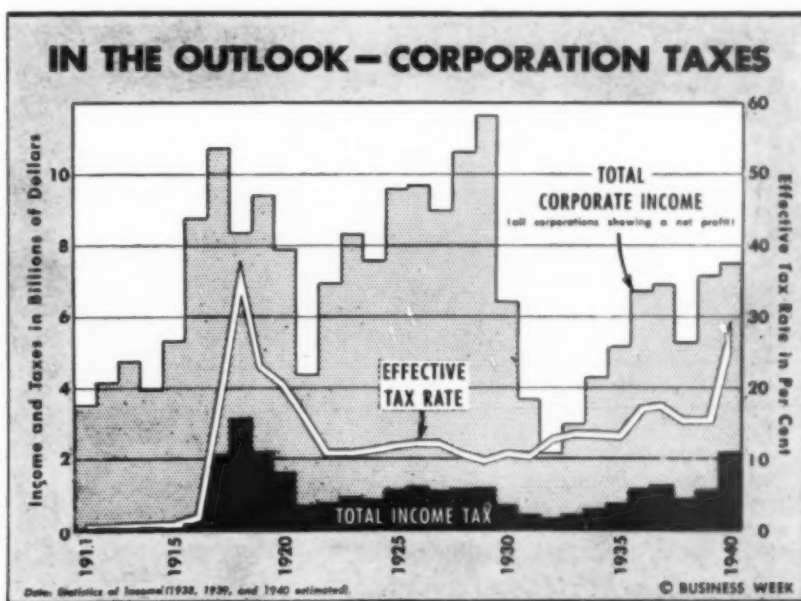
Right now, with the tax bill in the works, corporation controllers cannot make even a reasonably close approximation of how much the defense program will cost their companies. And this tax uncertainty affects all business operations. For, inevitably, companies try to include taxes they expect to pay in the price they charge for goods and services. And if you don't know what your taxes will be, you cannot very well put them in the price. That situation, of course, holds up long-term contracts—defense and otherwise—in which price must be specified.

Unquestionably, taxes will rise sharply over 1939. If the Treasury gets what it wants—an increase of \$700,000,000 in revenues from the excess profits tax—then 1940 corporate levies will rise to about \$2,185,000,000 (see Outlook Chart) from an estimated \$1,130,000,000 last year. On the basis of an estimate of over-all corporate income of \$7,500,000,000 (only corporations with net incomes) that would mean an effective tax rate of 29%, in comparison with a rate of 16% in 1939, and 38% in 1918—the World War peak.

### A Problem in Investment

Not all corporations will feel this tax rate with equal force. Large companies, with a high rate of earnings this year as compared with recent years, will bear the brunt of the burden. But with all these uncertainties—not knowing what the rates will be, how they'll be graduated, and which type of companies, durable or consumers' goods, will feel them most—corporation executives are inclined to take things slow in laying out their production plans, even when commitments are not large.

Moreover, the implications of higher taxes are quite clear. Corporations, called on as they are by defense needs for a larger volume of output, will be operating at a greater clip, wearing down their machines faster than normally; and yet their rate of return per unit of output will be lower. So they'll be work-



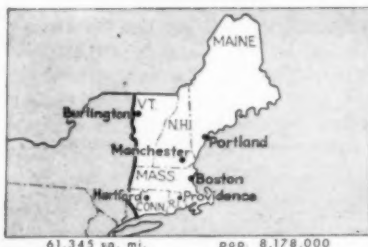
ing harder, and earning less. That may in some instances restrain executives from investing in new plant and equipment. For if the actual net rate of return is lower, why invest? But, on the other hand, there is the equally reasonable theory that, since defense is a continuing force for business improvement, a high rate of industrial activity

is virtually guaranteed by the government; accordingly, the low risk entailed warrants a low return on one's investment.

In the meantime, commodity and stock prices deserve watching. Since the end of April, most commodity markets have been declining, while for more than six weeks stocks had been in a rut. This

week's rally in copper and the stock market may be a sign—a sign, perhaps, that speculative opinion has reconsidered Great Britain's position and found it more favorable. In which case the start of a more-than-a-week's advance in the markets might get under way. For to date speculative interest has been dampened by doubts over Britain.

## The Regional Business Outlook

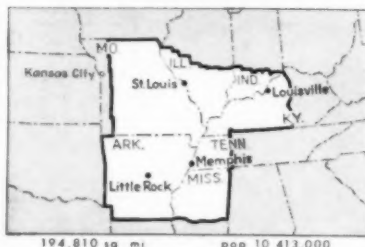


**BOSTON**—Business here is the nation's in miniature. The heavy industries are recording big gains over 1939, and purchasing power in such machinery and defense-equipment centers as New Britain, Bridgeport, and Hartford, Conn.; Pawtucket, R. I.; Worcester and Quincy, Mass., and Springfield, Vt., is running well ahead of a year ago. On the other hand, employment and payrolls in the consumer goods industries—cotton textiles, woollens and worsted, shoes—have not recorded anything like such sharp gains (*BW*—Jul 27 '40, p. 13).

### War Cuts Down Retail Sales

On an over-all basis, however, income is considerably above the 1939 level, and the failure of retail sales to respond—as in other sections of the country—is due in part to the New Englander's concern about Great Britain. People here, more than any other section of this country, are genealogically close to the British, and the war has tended to depress sentiment. Of late, however, department store sales have picked up. This is attributed both to the domestic political outlook and to the growth of new hope for Britain.

Aside from the \$8,000,000 expansion of the United Aircraft plant at East Hartford (*BW*—Jun 22 '40, p. 48), construction in New England has been primarily in small parcels—\$25,000 and \$100,000 additions to existing facilities. Shipyards, however, are adding new ways, both at Quincy, Mass., and Bath, Me. At Berlin, N. H., and Holyoke, Mass., moreover, paper and pulp capacity is being taxed, as domestic producers try to make up for the loss of imports from the Scandinavian countries.



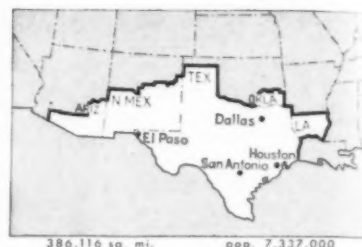
**ST. LOUIS**—National defense is developing as a potent business force, despite a curious anomaly. The steel rate here is only 65% of capacity, as against 90% for the nation. Reason: Armaments need heavy steel; local plants concentrate on lighter products. But payrolls in such other key industries as lumber, machinery, and glass are on the rise, while construction contracts awards are increasing immediate employment among building workers and hold forth the promise of factory jobs in the future.

Near Memphis, work is under way on a smokeless powder plant for the British government. Across the Ohio River from Louisville, the du Ponts also are supervising construction of a similar plant for this government (*BW*—Jul 27 '40, pp. 22, 24). Since explosives already are produced in and around this city, this Reserve district bids fair to become the "powder keg" of the nation.

Steel's handmaiden—coal—is not down with the local steel rate. Production is now running well ahead of that of a year ago—and purchasing power in the bituminous areas is up.

### Wheat from Missouri

Farmers are suffering on two counts: low prices and slow growth. Cool, wet weather has held back cotton in Arkansas, Tennessee, and Mississippi; indeed, northern Mississippi has been especially hard hit by heavy rains which flooded out some of its most productive cotton and vegetable lands. However, it's too early in the growing season to write off the year as "unsatisfactory." Missouri wheat, for instance, made a Garrison finish in July.



**DALLAS**—Compared with industrial areas, which are busy on munitions orders, business in this southwestern agricultural region is uninspiring. Cotton prospects have improved a bit, but the crop is still rank and sappy (*BW*—Jul 6 '40, p. 14), and farmers are not optimistic. The war does not encourage exports, and there's talk of 8¢ and 9¢ cotton (against recent 10¢ levels) unless the government sets a high loan.

### Prosperity on the Range

Cattlemen, on the other hand, are counting 1940 as one of their more prosperous years. Early rains have enriched the ranges, feed is plentiful, and the livestock are running fat. Moreover, beef has held up better than most farm prices. Sheep raisers out here also have done well. Texas accounted for 88% of the 948,000 increase in the country's spring lamb crop this year.

Incidentally, sheep raising is expanding fast in Texas. In the 10 years from 1929 to 1938, there was an average of 4,814,000 breeding ewes on Texas ranches. Today the number exceeds 6,760,000, an increase of 1,946,000. Thus, Texas is responsible for all the United States gain in the period and then some; for from a 10-year average of 35,919,000 the nation's ewe population has risen only 1,376,000 to a total of 37,395,000. Texas' neighbor state, New Mexico, has lost ground; breeding ewes there fell from a ten-year average of 1,953,000 to 1,778,000.

Oil again is under strict control. This circumstance restricts employment of well-pumpers, drillers, and refinery workers, and cuts into local royalties and profits.

The Regional Outlook surveys each week three of the twelve business areas of the country.



## Map Out Excess Profits Taxes

**Congress pushes plan as Treasury demands levies before amortization schedules are set. Earnings record, 1936-39, proposed as yardstick to measure "excess."**

WASHINGTON (Business Week Bureau)—Congressional leaders and Treasury officials this week settled down to the tough job of grinding out an excess profits tax. Main object is to raise about \$700,000,000 more revenue for the Treasury; secondary object is to follow out President Roosevelt's mandate to foil "defense millionaires."

Army, Navy, and Defense Commission officials are anxious to see the tax law passed—to expedite defense production. For the Treasury is reluctant to give its go-ahead on the proposal to permit corporations to amortize defense plants over the next five years, without first having positive action on excess profits taxes—on the suspicion that once business men get the amortization schedules they want they'll oppose a new tax bill.

In its present subject-to-change-with-

out-notice form, the excess profits tax proposal is something to make even a tax expert wince. It is based on a combination concept: earnings in recent years plus a "fair" rate of return on invested capital.

### On What Will Levy Fall?

Under the plan, a corporation's average 1936-39 (the same period chosen by Canada) earnings would be divided by "invested capital" during the same period; the quotient would be the corporation's rate of return on invested capital. If that rate of return were more than 6% and less than 10%, the tax would be paid only on earnings above that rate of return. But since the levy would fall on all earnings above 10%, it follows that companies with "pre-defense" income of above 10% would be taxed on that mar-

gin. Thus, a company which earned an average of 12% on invested capital during the base period would not be granted exemption for that 2% margin over 10%. The tax rate is still up in the air, but a sliding scale, running from 20% to 60%, is getting serious consideration.

There will be special exemptions for "small" corporations with a limited amount of capital. And though "invested capital" is still to be defined, it is expected that certain proportions of funded debt may be allowed as invested capital. This would help companies paying interest of, say, 3% on borrowed money and earning, say, 8%.

Most common objection to excess profits taxes based on past performance is that they penalize companies with poor recent earnings. But this proposal ingeniously establishes a 6% minimum as the rate of return for all companies. A company with a bad run of earnings from 1936 through 1939 would still be able to earn 6% on invested capital before having to pay an excess profits levy. Thus, the minimum allowance of 6% and a maximum allowance of 10% serve to rule out extreme disadvantage to companies with poor earnings and extreme advantage to companies with excellent earnings during the base period.

## A New Queen of the Seas

New York City gave a noisy welcome to the United States Lines' flagship, *America*, as she sailed up the harbor this week, on her first passenger-carrying run from Newport News, Va. The largest passenger ship ever built in an American yard was originally intended for North Atlantic service. Barred from Europe by the Neutrality Act, she will be used for Latin American cruises starting Aug. 10. The *America* cost \$17,500,000 to build, will carry 1,202 passengers and a crew of 643. Below, left, is shown one of the luxurious bedrooms in the de luxe main deck suites; and right, the dog kennels—whose lavish appointments thoughtfully include even exercise runs and tree stumps.



Rudy Arnold

International



## Tobacco Growers Wilt

**Despite short crop, dwindling export markets mean a sizable surplus this year.**

**TOBACCO GROWERS** in the United States approach the opening of the 1940 auctions with prospects anything but bright. They have raised the smallest crop in five years, a crop which is substantially below the average for the last decade. Yet, even with the small harvest, they have overproduced the market.

The big trouble is that American tobacco is an important export crop and that too many of the export markets are now inaccessible. The 1938 figures give some idea of the importance of sales abroad. The United States sold nearly 490,000,000 lb. of tobacco in that year and took in \$155,671,000. England is the most important single customer, purchasing on the average about 175,000,000 lb. annually, but John Bull is conserving his exchange to buy airplanes and munitions.

In the first eight months of the war, total exports dropped to 239,382,000 lb., compared to 383,422,000 lb. in the same eight months of 1938-39.

### Normal Outlets Cut Down

Since the end of April still further markets have been closed to American tobacco. It probably is logical to assume that exports from now on will be no more than half of normal if they do that well. In other words, sales abroad for the year are due to be something like 200,000,000 lb. to 250,000,000 lb. rather than the customary 400,000,000 to 500,000,000.

A good fat year for home consumption isn't likely to exceed 850,000,000 lb. Domestic demand added to foreign brings a maximum figure of about 1,100,000,000 lb. The Department of Agriculture's official prediction is for a crop of just under 1,300,000,000 lb., leading to the prospect of a surplus in the neighborhood of 200,000,000 lb. Such a surplus to throw on 1940 markets, considering the large storage necessitated by 1939's all-time-record crop of 1,848,654,000 lb., is anything but a healthy market factor. It indicates that the federal government will have to come to the rescue (through loans for storage of surplus and emergency purchases by the Commodity Credit Corp.) as it did last fall when the British buyers dropped out of the market for lack of foreign exchange (*BW—Oct 14 '39, p.55*).

Even if Uncle Sam does put on a rescue party, the tobacco farmer faces a substantially smaller cash income this year than last. Assuming that prices averaged 15¢ a lb. on the total production in 1939, and that the same price can be realized this year with government aid, the trade estimates that the smaller crop would result in a drop in total value from about \$275,000,000 to \$200,000,000.



Keystone

*If Simon Patino turns up in this country in the next few weeks, it will surprise no one in the tin industry. Patino owns the richest tin mines in Bolivia, has a controlling interest in smelters in England, where most Bolivian tin is refined. Now that Britain's refineries are threatened by Nazi bombers, and the United States wants to build up a refinery business to handle South American ore, insiders expect Bolivia's "tin king" in New York to talk over a deal.*

## "Unfair" to Midwest

**Group tries political pressure to circumvent "Washington run-around" on defense plans.**

WASHINGTON OFFICIALS have developed expert techniques in dealing with persons or delegations seeking war plants. Like the colored housewife who kicked the potato peelings about the floor until she wore them out, the petitioner is pushed around until he becomes completely befuddled and disappears.

Somebody was bound to get hep to the system sooner or later. Membership of the Midwestern Chamber of Commerce Conference is one group that has passed from suspicion, to conviction, to action. On July 26, the conference held a meeting in Kansas City, Mo., which unofficially adopted the slogan, "We're tired of going to Washington; let's bring Washington out here." The method they propose is to coax and prod Midwest Congressmen to attend a regional defense meeting which will be held in Kansas City on Aug. 30.

The July 26 meeting started off according to Hoyle. There were chamber officials and delegates from 60 Midwestern cities. During the forenoon they swapped their experiences with the Washington run-around. As the thermometer rose, so did the resentment of the delegates.

Some typical comments, indicative of the Midwest temper:

"Why are all the members of the Defense Advisory Commission from one section of the country?"

"If Standard of New Jersey or Shell should build a big 100-octane refinery on the East Coast, there'll never be one in Oklahoma."

"We've got to hold Roosevelt to his promise that aircraft factories should be located between the mountain ranges."

"Congressmen are like wheelbarrows. They go when they're pushed."

Delegates were hopping mad by the time the usual resolution was proposed suggesting the usual delegation to go to Washington for the inevitable objective.

### The "Statesmen" Are Summoned

Instead of this proposal, the roused meeting adopted another. It called for the presence in K.C. of the 81 Congressmen from Missouri, Nebraska, Iowa, Kansas, Arkansas, Oklahoma, Minnesota, North and South Dakota.

Skeptics snooted the idea. They said the statesmen would balk at the long, hot trip, that they preferred to stay in Washington and out of local situations until after the election. But the defense conference idea is being so heavily backed by civic and business organizations and the newspapers that politicians can't ignore it. The meeting will make an excellent sounding board for campaigners. And if one candidate attends, his rivals will feel that they must also.

At the meeting which launched the conference there was the usual discussion of the Midwest's farm perplexities. It stressed the necessity of obtaining new industries to offset losses in exports of grain and other farm produce. Since the War Department has emphasized the desirability of placing new war plants in the "safety zone" (250 miles from the seas, 200 miles from the borders) the states involved feel that a little well-applied political pressure will get results. They also want Army and Navy procurement officials to place more supply depots in the Midwest and to abolish the "lowest responsible bidder" clause, substituting negotiated contracts.

### Reason for Opposing Drive

An objection certain to emerge at the Aug. 30 conference is that of the small manufacturer. For the past year every industrial town in the central states has noted the exodus of machinists and welders. They head for Eastern and Far Western centers—especially those where aircraft production is booming. This long-distance bidding for skilled labor is hard enough on the small industries of the Missouri Valley. It will be even worse if these plants are forced to compete with big government or private munitions plants plunked down in the same community. Small employers are quietly but stubbornly opposing the drive for new war factories.

## What If British Orders Cease?

**Business worries about losses are eased by prospect that defense program probably would fill gap left by absence of overseas buying.**

AT LEAST \$500,000,000 worth of airplanes are on order in this country now for British account. Unfilled British orders for machine tools amount to another \$125,000,000. The British Purchasing Commission is buying steel in this market at the rate of 400,000 tons a month (total U. S. production is running around 5,000,000 tons a month). In June, England took more than 55% of all our exports to Europe compared with a customary 40%. Cut off by the British blockade, Continental purchases of our goods are being reduced to a trickle while British orders have soared.

The layman, scanning these developments in recent weeks, has often been heard asking whether business might not be in for a serious letdown if the war should end suddenly.

Actually, business is not very much worried. When France signed the armistice with Germany and Italy in June, there was a good deal of hubbub until the British agreed to "take over." Uncle

Sam's defense demands would save the day in the same way if Europe's war suddenly came to an end and Britain no longer wanted the goods now on order here.

Not more than 10% of the French contracts for machine tools carried a clause to cover a sudden termination of the war. In these, it was stipulated that Paris would pay for all completed items. On other machines, the French agreed to cover the cost to the manufacturer of labor and materials, plus 10%. Since, on the bulk of the contracts, both France and Britain paid 25% of the cost at the time the contract was signed and another 25% within 90 days, there was little chance for heavy losses. But with many large firms in the machine tool industry devoting up to 50% of their capacity to Allied production all spring, some of them would have suffered seriously if the \$65,000,000 of lapsed French orders had not been taken over immediately.

Of the \$125,000,000 of British plus

former French orders now held by the machine tool industry, not more than 10% are judged by experts to be special machines which would require considerable rebuilding to be usable in the United States.

Nevertheless, Washington is said to have plans to prevent any slowing down of activity which might come with a sudden ending of hostilities. A Reconstruction Finance Corp. loan fund is to be created, against which machine tool manufacturers can draw, if they find it impossible to deliver any machines now on order from abroad, simply by producing a certificate of delivery to certain specified warehouses in the United States.

### No Plane Burden Likely

Foreign airplane orders, though many times as large in dollar volume, are causing executives much less worry for two reasons: (1) Almost without exception planes and engines are built exactly according to American specifications so they can, with no alterations, be used at home if not wanted by England; (2) defense plans in Washington are swelling so fast that there is no question of any unused backlog of British planes becoming a burden on our industry.

This country has the capacity to turn out 1,000 planes a month now, is actually producing about 900. But William S. Knudsen, chairman of the National Defense Advisory Commission, when he

## A Congressional Committee Considers the Migratory Worker



The loads don't all go to California. A Congressional committee, authorized by the House of Representatives to study the migrant problem, found that out last week when it visited agricultural centers in New Jersey. On a potato farm near Freehold (left, above), the committee talked with Negroes who followed the crop northward along the Atlantic seaboard annually. They said they were averaging \$9 a week this year. At Seabrook Farms, near Bridgeton (right, above), the committee watched

beet-packing operations. This week the committee held hearings in New York City, got testimony from and about migrants in New York, New Jersey, and New England. It is now making a cross-country tour, holding inquiries in key cities. It will issue a report, recommending federal legislation, in the fall. Chairman Tolan says the committee's starting out with no preconceived ideas on the migrant problem—except that it's too big for individual states or communities to handle.



said that this country would be able to provide Britain with 3,000 planes a month by the middle of 1942 (not by next January, as announced in London by Lord Beaverbrook) only hinted at Washington's real plans. Insiders know now that the defense planners expect to triple our airplane production by 1942. Some ambitious enthusiasts in the industry even insist that this may be in addition to the 36,000 planes a year which England hopes to procure here. Against these astronomical figures, the present British backlog of 5,000 or 6,000 is unimportant.

### Farmer's Prospects Impaired

The farmer has some real basis for worry over the near future outlook abroad. Europe bought a lot of cotton during the winter and spring, but with most Continental markets closed now, the outlook is not very bright. The same is true of wheat, corn, vegetables, and fruit, and England, though still open for shipments, is buying from within the Empire where possible or barring imports wherever they can be classed as "unnecessary" because of the need to conserve dollar exchange and badly-needed shipping space.

Farmers would like to believe that if peace comes this fall they will benefit by being called upon to cover huge accumulated food deficits.

Denmark and Norway have had no imports from outside Europe since April. The Danes have already been ordered to kill one-third of their hogs because there is not enough fodder to feed them. In a normal year, the Danes bought more than 115,000 tons of Western Hemisphere wheat; Norway normally buys 25,000 tons.

These two countries, with Holland and Belgium (which have been cut off from outside shipments since early May), in 1938 bought 1,500,000 tons of wheat and an equal quantity of corn, 450,000 tons of oats and barley, and 500,000 tons of other fodder grain in the Americas. While Canada and Argentina normally fill the bulk of these requirements, United States farmers still hope that they may share in any rush buying which might follow a peace settlement.

### Needs Exploited for Deal

Observers who follow European developments closely question whether foreign exchange would be freely released after a peace for mass buying. Most of them are inclined to believe that only the most serious shortages would be covered at once and that this huge deficit in farm goods would be used as a powerful bargaining weapon—with the market going to the bidder willing to take in return the largest quantity of Europe's manufactures as part of a barter deal.

With Washington talking and planning in terms of a \$10,000,000,000 defense program, business has little to worry about if Europe—meaning mainly Brit-

## One Jump and It's Up



At Willow Grove, Pa., last week, the public got its first view of the new Pitcairn Autogiro which leaps 25 feet straight up into the air, from a standing start, and then flies on and lands—on a thin dime if necessary. Not to be confused with a helicopter, which has power revolving its rotor at all

times, this machine simply speeds up its lifting rotor about 50% more than its normal 200 r.p.m. only for the take-off. Once in the air, the ship's forward motion keeps the rotor spinning at normal speed. The Army looks forward to a military model embodying these characteristics.

ain—suddenly stops its defense buying. Real worry of both manufacturers and farmers is on what basis they are going

to be able to trade with Europe—after the peace. Only Europe can answer that question when the time comes.

## No Embargo—Try to Get License!

**Exporters see ruling on oil and scrap iron as eliminating shipments to Japan although order doesn't actually bar them. British blockade aided.**

THERE ISN'T any embargo on shipments of American petroleum and petroleum products and of scrap iron and steel. It's just a matter of securing an export license. You have that on no less authority than the word of President Roosevelt. But just try to get a license!

If the howls coming from Japan are any criterion there can be no doubt at whom the oil and No. 1 heavy scrap export license plan, which went into effect midnight Wednesday, is aimed. In export circles there seems to be complete agreement that Washington has acted primarily to bar shipments of these products to Japan and secondarily to aid Britain in shutting off a trickle of oil through neutral nations to Germany. This is in spite of the fact that there isn't anything in the licensing order to indicate

that it is aimed at anybody in particular.

Exporters now have quite a bit of experience to guide them in figuring the effect of this latest order. Ever since May 1, when the first dictum was issued to cover exports of "arms, ammunition, and implements of war," the list of products requiring licenses has been growing (BW—Jul 13 '40, p. 44). Exporters have discovered that any effort to secure a license to ship anything which might fall into the hands of the "aggressors" quickly became inextricably entangled in red tape. Only a few days ago, according to authoritative information in the metal trade, a shipment of quicksilver to Japan was thus stymied.

That's why exporters of oil and scrap have decided they might just as well stop negotiations with the Japanese. This

# 'Cross Town *and*....



# 'Cross Country



"Why Does the Chicken Cross the Road?"

The chicken crosses the road so that she can get on the other side. But men with loads to haul begin where the chicken leaves off. They look at the road *lengthwise*—and send their trucks *across* the country.

Why do truckmen year after year, buy more heavy-duty Internationals than any other make? The practical answer is that International Trucks give them proved performance, economy, and hauling satisfaction—the best all-

around truck values money can buy.

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INTERNATIONAL HARVESTER COMPANY

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# INTERNATIONAL TRUCKS

means relinquishing a business which totaled up to something like \$30,000,000 in scrap last year and to a bit under \$20,000,000 in petroleum and its derivatives.

Japan for several years has been the largest buyer of iron and steel scrap in this country, with the United Kingdom and Italy fighting it out for second place. The following table of American scrap exports (the figures are gross tonnages) tells the story:

	Japan	Italy	U. K.
1935	1,117,975	382,775	277,366
1936	1,057,621	285,126	364,874
1937	1,911,508	381,394	847,177
1938	1,381,801	434,717	387,347
1939	2,024,264	425,896	508,293

Exports of scrap (the United States consumed 32,400,000 tons in 1939 and sold 3,600,000 for export) have long been the subject of heated controversy. Many in the steel industry have argued that it is foolhardy to export so much of a product which is a basic material in steel making. Scrap dealers, on the other hand, have contended just as stoutly that this country produces a surplus and that it's silly not to export. The controversy now is at least temporarily settled in the name of national defense—with Italy's purchases already eliminated and Japan's presumably to be throttled.

If exports of oil to Japan are to be embargoed, the impact will be somewhat more severe than in scrap even though trade in the latter runs into more money. This is because the shock in petroleum is localized. All but a small percentage of Japan's oil takings have been supplied by California and have cleared through the port of Los Angeles.

### Large Volume Hit

Over the first five months of this year, the West Coast petroleum industry loaded an average of 60,600 bbl. a day for Japan. Most of it went out in the form of crude and fuel oils aboard Nippon's fleet of new high-speed tankers. Business totaling any such amount assumes a good deal of importance in comparison with the August production allowable of 587,000 bbl. daily set by the Central Committee of Petroleum Producers for the California companies.

Also taking a hand in the United States' international trade in petroleum is the Maritime Commission. It made news a few days ago when it revealed that it had halted two tankers about to clear Gulf ports for Spain. The decision, technically at least, was based on the finding that such a trip would be too dangerous. Real reason, it is pretty generally agreed, was that England felt the cargoes would find their way to the Reich. The implication was that Washington lent immediate aid to England's latest effort to ration imports of European neutrals by extension of the blockade.

## Alcoa to Build Dam

**Aluminum Co. of America plans \$10,000,000 system as part of own Tennessee project.**

WHILE CONGRESS has plodded along on that \$25,000,000 appropriation for another TVA dam—the Cherokee Dam on the Holston River (*BW—Jul 27 '40, p. 23*)—the Aluminum Company of America has set about finding its own answer to the problem of how to provide more hydroelectric power for the production at Alcoa, Tenn., of the lightweight materials that are so vital to the airplane industry.

In the newest of Alcoa's own hydroelectric projects in the valley, a dam will be built at Aquone, N. C., on the Nantahala River, a branch of the Little Tennessee. The waters impounded behind the dam will be diverted through a tunnel more than five miles long to Beacher town, N. C. There, the water will have a fall of 990 ft. to the turbines that will be installed in the new power plant. It is estimated that 63,000 hp. will be generated. The project is expected to cost between \$10,000,000 and \$15,000,000 and will be completed in two years.

### Will Build New Town

The contract for this ambitious engineering program has been let by the Nantahala Power & Light Co., an Aluminum Company subsidiary, to the Utah Construction Co., which has participated in the construction of both Boulder and Grand Coulee dams. Company offices have already been opened at Andrews, N. C., and an entirely new town will be

built nearby to house the more than 500 workmen who will be engaged on the project. The dam will be built entirely of earth and stone, reinforced with steel and concrete. Nearly 2,000,000 cubic yards will be used in the half-mile dam, which will tower 260 ft. above the present level of the river. The dam will create a reservoir with a usable storage capacity of 130,000 acre-feet of water, and the town of Aquone will be razed to provide a bed for the new lake. The present sites of the church, the post office, a score of houses, and one of the most picturesque old water wheels in Eastern Tennessee will be buried more than a 100 ft. below the waters.

## Aliens Must Register

**Government begins big job Aug. 27 and will fingerprint 3,500,000 in enforcing act.**

THE BIG JOB of registering and fingerprinting some 3,500,000 aliens as required by the Alien Registration Act gets under way Aug. 27 in the postoffices of the nation and will continue through Dec. 26. It will be administered by the Immigration and Naturalization Service of the Department of Justice and will be directed by Earl G. Harrison.

The law requires registration of all aliens who are 14 years old or older, and carries a fine of \$1,000 and imprisonment for six months as the penalty for failure to comply or for swearing to false information.

Besides the usual questions to establish identification, aliens will be asked how and when they entered the country, the

## Goodrich Tests Its Bullet-Proof Tire



The B. F. Goodrich Co. last week successfully tested the new bullet-proof tires it has been developing for the U. S. Army. Though the tires are standard, the tubes used are so constructed that holes made by bullets

are sealed without any appreciable loss of pressure. Triple layers of special rubber compounds give the tires their bullet-proof qualities.





## Something you don't have to pay for

**YOUR LIFE INSURANCE POLICY** is a contract between the Company and you. The Company wishes not only to fulfill the terms of that contract, but to perform every reasonable service that may increase your policy's value to you and your family.

As evidence of this, you will find a "Notice to Policyholder" printed plainly on the back of most Metropolitan policies. If you will read this notice, you will find that it is not necessary to employ any person to collect the insurance payable under your Metropolitan policy, to obtain any information about your policy, or to secure any of the benefits which that policy provides. The Company wishes to pay every proper claim without delay.

All that is necessary is to get in touch with your Metropolitan agent, or with the manager of your District Office. If this is not convenient, write directly to the Home Office in New York City, or to the Pacific Coast Head Office in San Francisco.

Whenever you have a question about your policy, it is advisable to consult your Metropolitan agent first. It is his responsibility to help you solve your insurance problems, and to serve you efficiently, sympathetically, and intelligently... and *without additional charge* of any kind.

Following are a few of the many instances in which your Agent's help is available for the asking.

### Settlement of Death Claims or other Benefits.

Except for notary fees, there is no need for a beneficiary to pay a fee for preparation of claim papers or the papers necessary for other benefits. Your Metropolitan Agent

will give you any assistance that may be necessary in preparing and filing such papers, and will help to arrange for prompt payment of the claim.

### Analyzing or checking your insurance program.

Your Metropolitan Agent will co-operate with you in seeing that your insurance fulfills the purpose for which you bought it. If there have been any changes in your economic status, or in your family obligations, your Agent will help you work out a plan to make your insurance program cover them.

### Explaining Retroactive Benefits on Liberalized Policies.

Metropolitan, in common with other companies, has made liberalizing improvements through the years, particularly in Industrial policies. Each improvement has been of advantage to the policyholder. Wherever possible, these additional benefits have been made retroactive, so that if you own an old policy, you may be entitled to certain benefits which this old policy does not contain in writing.

If you have an old policy on which you no longer pay premiums, you may wonder if it has any value. Such old policies often do have value. And, through voluntary action by the Company, many Weekly Premium policies have become eligible for cash surrender value if premiums on them were paid for at least three years, even though the policy terms require a longer premium-paying period.

Of course, nothing in this advertisement is intended to suggest that either you or

your beneficiaries should refrain from consulting a trusted family advisor, or a competent and reputable attorney-at-law in case you, or your beneficiaries, feel the need of doing so.

**One thing more.** Even though you may have read your life insurance policy thoroughly, do so again . . . at once. Read it from beginning to end. Be certain that both you and your beneficiaries are familiar with its provisions. If there is anything that you, or they, do not understand, your Company's agent will be glad to explain—or, if you prefer, communicate with the Home office.

COPYRIGHT 1940—METROPOLITAN LIFE INSURANCE CO.

*This is Number 28 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements in this series will be mailed upon request.*

## Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker,  
CHAIRMAN OF THE BOARD  
Leroy A. Lincoln,  
PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.



Plan to visit the Metropolitan's exhibits at the New York World's Fair and at the Golden Gate International Exposition in San Francisco.

method of transportation used and name of the vessels on which they arrived. They will be asked also the length of time they expect to stay and must describe any military or naval service they may have had, list the names of any organizations, clubs, or societies in which they participate or hold memberships. In addition, they are required to

describe their activities in any organization and to affirm whether they further the interests or program of a foreign government.

Every registered alien will be mailed a receipt card to serve as evidence of registration and he must inform the government of changes in address within five days of the change.

## Knickknack Trade Goes *Ersatz*

**Domestic firms, in face of war blockades, are developing substitutes, many of them permanent, for glassware, ceramics, toys, and tear-drop crystals.**

PROCUREMENT problems are today no more crucial in rubber for Goodyear or in tin for American Can than they are in knickknacks for the small business firms specializing in such merchandise as Bohemian dinnerware or French upholstery textiles. Most foreign sources of such items are closed as tightly as the sources of some defense materials, and substitution problems are as acute.

Glass and ceramics, for example, used to come largely from Czechoslovakia, with a few expensive lines from other European countries. When Hitler set out to settle the Sudeten problem, American representatives for such items found themselves out on a limb. On the same limb were American agents handling German and Swiss woodcarvings. The leather goods trade is less affected; its products are largely produced domestically, with only a few fancy lines from England, Austria, Italy.

Before 1914, American children played almost solely with German toys. When the World War cut off that supply, the American toy industry was born almost overnight. American children now know only a few German specialties, such as hobby-horses and doll furniture.

### Many Rival European Goods

Distributors and manufacturers in the knickknack trade are wondering whether any other permanent American industries will evolve from the present war. They emphasize a large proportion of European merchandise already has been replaced. Substitutes fall into three classes:

1. Some are frankly *Ersatz*, stopgap stuff that even its makers admit falls far short of the genuine. Example: rug padding made from cotton, less satisfactory than good jute padding, and nearly as expensive.

2. Next group is not yet competitive with foreign lines in an open world market, but is making strides. Prize example: tear-drop crystals for lamps and chandeliers. American-made product costs 30% more, is short on luster, but is improving rapidly. Eventually such manufacturers as E. J. K. Corp., of Brooklyn, may reach

top quality at competitive costs. Meanwhile, one American maker has developed a clear plastic lightweight tear drop, costing only a fraction of the crystal.

3. A growing list of American-made products already measures up to the European in quality and price. A sampling survey of display floors in Chicago's Merchandise Mart (world's largest building and largest community of wholesale representatives under one roof) indicates a few markets American manufacturers, with their new lines, may hold even after peace comes to Europe.

### Glass Items Profit

Most spectacular progress is in glass and ceramics, probably because the need was most acute in this field. Glass relish trays are an example. Indiana Glass Co. brought out an item with a pressed and etched bottom replacing a Czech piece which was ground and polished. Both the trade and consumers like it, and prices are about 20% of the imported. Koscherak Bros. of New York, long a major importer of fine Czech glass, now handles domestically-made case glass. The cost is slightly higher, and would have to be reduced to hold the post-war market.

Tiny hand-blown glass miniatures—items for the what-not's shelf—are coming from Art Glass Craftsmen, of Baltimore, in quality equal to the best imported, and 25% cheaper. Incidentally, they're outselling the former imports, because of the price advantage and American styling.

Opalescent ornamental glass pieces, including hobnail and cranberry, are now coming from Fenton Art Glass Co., of Williamstown, W. Va., matching quality of the best imported, at equivalent prices. Blenko Glass, of Milton, W. Va., which has been pushed out of the stained glass field because it couldn't meet foreign price competition, has re-entered the market.

Norton glass centerpieces cost less than equivalent imported quality, suit American tastes so well that the line was well established even before imports vanished. Equally promising are Valerie Halle Crystals, made in Galion, Ohio. This new

glass sculpture was developed first as a hobby by an amateur; it went into commercial production last fall, and is now selling in volume to the carriage-trade.

Some American ceramic makers already have made headway. Osborne, of Chicago, makes gold-covered china behind a 70% tariff. Cook Ceramics, of Trenton, N. J., has much the same advantage over foreign floral-decorated gold-trimmed china. Many U. S. porcelain makers are now producing lamp bases approximating the best foreign grades and at about the same cost. Semi-porcelain from the Canonsburg (Pa.), Pottery Co., is selling at prices about half those of English earthenware.

### Mass Production Applied

Kay Finch Co.'s glazed pottery figures, competing in quality with the best imported, are selling at prices slightly lower. Original Art Co., of Chicago, has had volume so increased by the war blockades that it has been able to cut prices 50%. Its reproductions are of a glazed, fired composition that looks and feels like fine Copenhagen-finish pottery, but the copy costs \$6 against the imported original's \$26.

Top-quality, wooden, German hobby-horses used to retail at about \$60. The Hollywood Toy line now includes equally spirited, longer-lived steeds of molded plastic at \$25. Pajean, of Highland Park, Ill., originator of Tinkertoy, manufactures dollhouse furniture by mass production methods, sells it 30% to 60% below former German prices.

American producers never have been able to turn out woodcarvings at prices that would sell. Jack Riedel, a Chicago collector, has devised a mass-production method and has entered the quality market. American artists license Riedel on a royalty basis to copy their originals. His copies are machine-shaped into blanks of American walnut, maple, and mahogany from which skilled but uncreative hand carvers whittle off the excess wood in minimum time. Result: a set of indigenous subjects ranging from cowhorses to *Esquire's* hillbillies.

### Oil in Nebraska

NEBRASKA has been so anxious to become the sixteenth oil-producing state that the state legislature has even offered a \$15,000 bonus for the first commercial oil well in the state. Last week two brothers from Texas, W. A. and B. G. Guinn, all but had the money in their pockets.

Their second Nebraska oil venture, the "Frederick Bucholz" well—not far from Falls City—complied with all the legislature's requirements by producing 50 barrels a day for 60 days. The Guinns actually have been working near Falls City for about nine months, but their discovery well failed to qualify for the prize. Only stickler now is that the legislature hasn't actually appropriated the \$15,000.

# LOW COST POWER



● From educational institutions in New England to pipe line stations in the Southwest; from dredges in the Gulf to cold storage houses in Washington; from the metropolis of New York to the grass root plains of the West — De La Vergne diesel engines have paid their way. Engineered and installed to meet individual requirements, De La Vergne engines have a right to their claim of outstanding economy in

operation and maintenance the country over.

De La Vergne built the *first* commercially successful oil engine in this country in 1893—developed the *first* solid injection diesel in 1917.

De La Vergne engines of today incorporate the cumulative experience of 47 years of research and development in oil engines—engines which have proven themselves eminently successful in a wide variety of applications.

## THE BALDWIN GROUP

P H I L A D E L P H I A



THE BALDWIN LOCOMOTIVE WORKS • BALDWIN SOUTHWARK DIVISION  
STANDARD STEEL WORKS DIVISION • THE PELTON WATER WHEEL COMPANY  
BALDWIN DE LA VERGNE SALES CORP. • THE WHITCOMB LOCOMOTIVE COMPANY  
THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES COMPANY



## MARKETING

ADVERTISING • MERCHANDISING • SELLING

### Radio Eyes Double Deadline

**To broadcasters, meeting next week on Coast, Jan. 1 marks the coming of that revolution threatened by frequency modulation and the showdown with ASCAP.**

WHEN the National Association of Broadcasters assembles next week in San Francisco for its annual convention, the date of Jan. 1, 1941, will loom large in all on- and off-the-record conversation—for two reasons. By that date, the broadcasters will either have knuckled under to the American Society of Composers, Authors, and Publishers, and will have signed new contracts granting the society higher royalties for the performing rights to its music, or else broadcasters will stop playing ASCAP music. And on Jan. 1, frequency modulation (the new "staticless" radio) goes into commercial operation.

In advance of the convention, the industry seems well united on a no-capitulation policy in the fight with ASCAP. The determination of the networks to carry through to victory was highlighted this week by a letter from Paul W. Kesten, vice-president of Columbia Broadcasting System, addressed to the web's advertisers and their advertising agencies. Kesten's letter reviewed the long squabble with ASCAP (*BW*—Sep 23 '39, p 24), charged the society with a \$4,400,000 "hold-up"—in addition to the \$4,300,000 collected last year—and called upon advertisers to help free radio permanently from future "intolerable demands" by eliminating ASCAP music from their commercial programs. Columbia's appeal to advertisers follows a similar one by National Broadcasting Co. Both networks have been following a policy of gradually weeding out ASCAP tunes from their sustaining programs.

#### Strengthening New Organization

Every effort will be made at next week's convention to line up new support for Broadcast Music, Inc., the music publishing house which the broadcasters set up last September as a rival to ASCAP. Over 300 stations (slightly less than half of the country's total, but representing three-fourths of the commercial business) have contributed \$1,250,000 to B.M.I. Originally thought to be no more than a bargaining weapon for broadcasters to use in negotiating with ASCAP, the young B.M.I. has grown into a real threat to the society.

As the N.A.B. goes into convention, its officers will be fighting to prevent a split

in the industry—big operators against small ones. Last year, ASCAP collected \$4,300,000 from the industry in royalties, with all stations paying 5% of gross income. Under its proposed new contracts, ASCAP would collect twice as much, but the increased burden would fall on the networks and big stations—with small stations, in some cases, actually getting off cheaper. A few small broadcasters have signed up at the new terms, but most have been postponing action. ASCAP's adroitness in playing off the big broadcaster against the little one is sure to get plenty of condemnation from speakers next week, who will attempt to prove that, in the long run, small stations will gain by siding with the networks.

Although likely to arouse less immediate interest than the continuing music battle, frequency modulation ("staticless" radio) has more long-range importance and will be thoroughly covered in San Francisco. A special FM station, the first on the West Coast, is being set up

for the benefit of the convention, and will be operated on a temporary license from the Federal Communications Commission.

Main interest will focus around the rules and regulations recently issued by the FCC to clarify the requirements which must be met by operators of FM stations, nearly 200 of which have applied for permission to go on the air. Under these rules, they will be required to operate three hours during the day and three hours at night, and, most important, one hour of each of these periods must provide a program specifically designed for the FM audience. These programs must not be duplicated on standard broadcast stations in the same area, and must be designed to demonstrate the full capabilities of FM. Transcriptions may be used, but only those of the "wide range" type.

#### New Criterion of Effectiveness

The FCC has also given engineers a new interpretation of the effectiveness of a broadcast station. The standard broadcast operation is rated on power alone, i.e., all 50-kw. stations are treated alike although some stations can do a better job than others because of a favorable location, or by the use of a directive aerial. In FM broadcasting, the criterion will be made up of several factors such as power, the height of the antenna above sea level, the amount of "gain" achieved by the use of a directive antenna, and the population within its service range. A 1-kw. station on Mount Washington may thus do a better job in serving the public than a 25-kw. station closer to sea level. Engineers have been quick to endorse this



*Main worry of the big radio stations and networks, in their battle with the American Society of Composers, Authors, and Publishers (ASCAP) is defections within the ranks. ASCAP's proposed new contracts for radio sta-*

*tions invite defections by easing the burden on small stations. Elliott Roosevelt (left, above), president, Texas State Network, was one who succumbed last week, signed a five-year contract with ASCAP.*

criterion as more closely representing the net worth of a station to the public.

In the meantime, a great many questions remained unsettled. Owners of the first FM receivers offered by the manufacturers are confronted by obsolescence, since their receivers were designed to handle the original wavelengths from 40 to 44 megacycles. The recent FCC action in extending the band from 42 to 50 megacycles has added ether space for which these older sets are not equipped. Stromberg-Carlson, one of the first in the field, is planning to recall all their early FM sets and replace them free of charge (except for the cost of transportation to and from the factory) with chassis built to receive the extended band. Since the total number of FM receivers in the hands of the public now exceeds 5,000, such a wholesale replacement (if adopted by all manufacturers) will add considerable expense to an already heavy development cost, which presumably must be handed on to consumers at a later date.

#### Not Till Christmas

The effect of the FM "threat" to the sale of broadcast receivers is problematical. The new spring lines announced by the manufacturers contain no evidence of any major drive to sell FM sets. Most lines (including Philco, RCA) contain no FM models at all, some contain one or two, but they are not featured. General

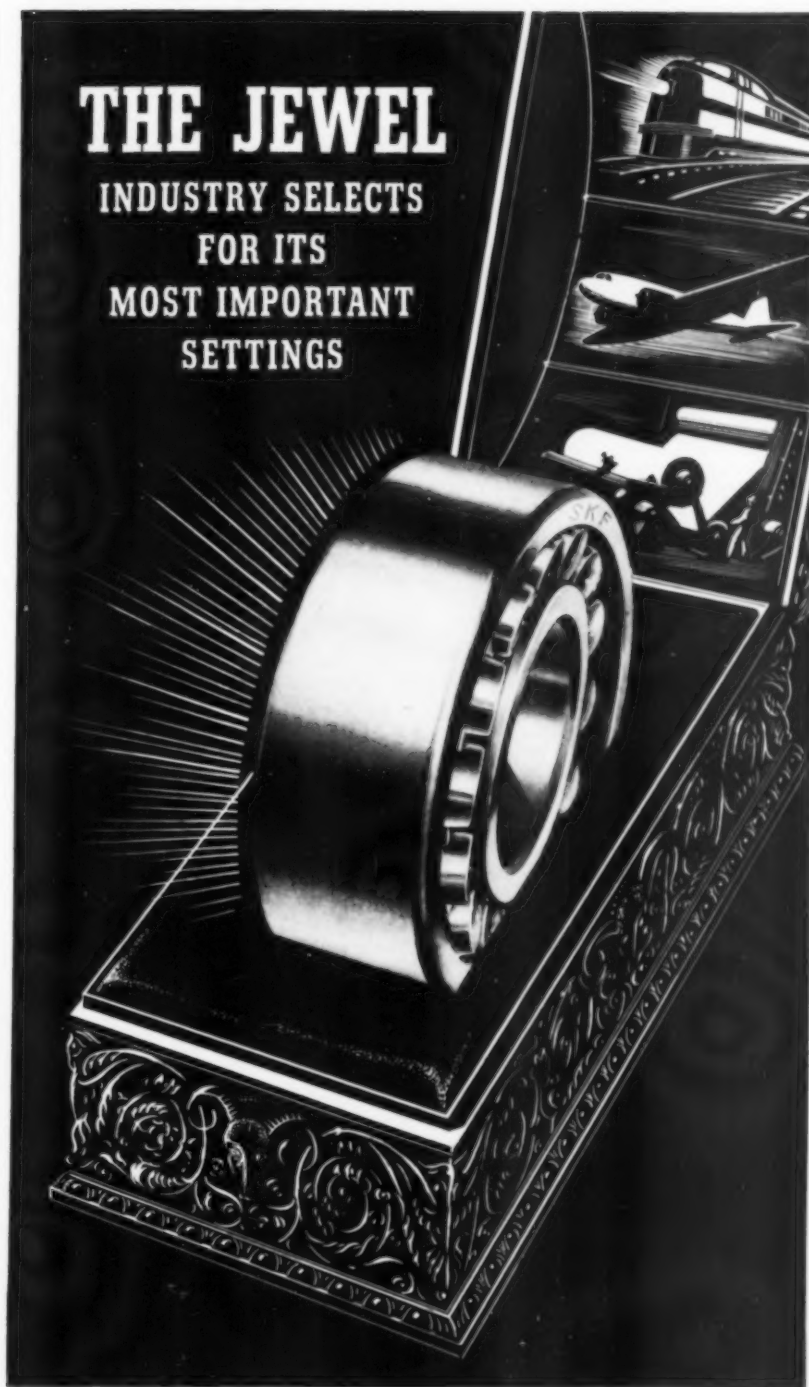
#### Preview



James Roosevelt gets a look at the first of Mills Novelty Co.'s nickel-movie machines for which his company, Globe Productions, Inc., has turned out some ten three-minute shorts (BW — Apr 13 '40, p45). Although Mills, and other manufacturers, have been guaranteeing delivery within 90 days, the trade doesn't believe many machines will go into outlets before early fall.

## THE JEWEL

### INDUSTRY SELECTS FOR ITS MOST IMPORTANT SETTINGS



4596

Men who know bearings best have likened the precision and the beauty of an SKF Bearing to the perfection of a precious gem. And Industry has chosen it for some of her most famous settings.

Every plane that has ever written aviation history across the skyways has been a setting for SKF Bearings. So have been most of the world's crack trains . . . most of the really great mechanical triumphs of industry.

SKF, America's No. 1 manufacturer of industrial bearings, invites your bearing problems. SKF Industries, Inc., Phila., Pa.

# SKF

BALL AND ROLLER BEARINGS

## Sample



Wide World

*This bomb-resisting pillbox, built in an isolated section of Washington, D. C., last week, along the Potomac River shore, was put up in only five hours. It's being exhibited by Vacuum Concrete, Inc., of Philadelphia. The trench is for the approach.*

Electric (one of the earliest manufacturers to offer FM sets) has equipped standard receivers with an "FM key," something like the "television jack" of last year, which will permit the addition of an FM adapter. The trade gossip has it that FM sets will not be offered in any quantity until the Christmas season. Engineering designs and production plans are ready, but the sales departments seem reluctant to push the sets which might act as competition to the main line—at least until something approaching a national market is assured. The national market depends on the erection of a great many frequency-modulation stations, most of which are only in the planning stage.

### Depends on Broadcasters

The radio industry is watching the broadcasters and the FCC for the cue to act. Many construction permits asked by broadcasters have not yet been issued by the FCC, and when they are issued it may take many months, possibly a year, before the stations can be constructed and put on the air. Then the potential market for receivers will exist, but its conversion into an actual market will depend on the broadcasters.

Observers point out that if the broadcasters use their FM stations merely as a hedge against the future, that is, as a means of holding a license which would prove very valuable in the event that FM should take hold, the chances are that FM won't make much headway. On

the other hand, they say, if the broadcasters take the new system seriously, and spend money on programs especially to convert and to hold an FM audience, then it may arrive almost overnight. The FCC is known to have gone as far as it dares in dictating the type of program to be carried on FM stations, and then only to the extent of two hours a day.

Moreover, the commission is held to have left a big loop-hole in permitting the use of transcriptions for the special FM programs. The fact is, say observers, that the broadcasters must go much further in this respect than the FCC requires, if the FM system is to stand in any real competition, so far as programs go, to the standard broadcasting system. The staticless feature of FM will no doubt attract a considerable number of FM listeners, who want to receive the usual programs free of noise especially in areas where standard broadcast stations experience interference.

But the geographical distribution of this audience, away from the cities, is such that it can never assume the importance of the concentrated city audience as a market for sponsored products. A one-kw. FM station may have a greater useful "primary" service area than a one-kw. standard station, but the excess lies, ordinarily, in regions of thin population.

The city audience will flock to FM only if a distinctly better service, both as to program content and technical quality of transmission, is available from the FM stations. Thus far the FM programs on the air have enjoyed no such distinction, except for a few symphony programs, and then only when they originate locally so that long distance network telephone lines do not impair their quality.

### Tax Not in Minimum

UNDER THE FAIR-TRADE LAWS operative in 44 states, manufacturers are empowered to set minimum resale prices, and can prosecute retailers who sell below those prices. Question is: Must sales taxes be added to the minimum prices? Precedent-setting "no" was handed down recently in Detroit by Federal Judge Ernest A. O'Brien, who held the tax to be a "privilege fee for doing business" that need not be added to the price.

### Police Try Drive-Yourself

ECONOMY: The police departments of Evanston and Wilmette, Ill., rent their squad cars and patrol wagons. Even the Evanston dog catcher's wagon is hired by the mile. Local garages have contracts to provide late model cars, keep them in good running condition and full of gas and oil. As the American Municipal Association points out, municipal garages and fleets are strictly large city propositions.

## U. S. New Style Center

**New York substitutes for Paris as capital of feminine fashion; trade has its worries.**

A COUPLE OF WEEKS AGO, Elsa Schiaparelli, leading Parisian couturière, arriving in America, told reporters that her first act in the United States would be to buy some clothes. This was "official" confirmation of the fact that America, as a result of France's enforced default, has become the fashion center of the world, at least temporarily.

In spite of the vast amount of publicity that has gone into the job of putting over American styles in the past month, indications are that the U.S. fashion trade wears its new crown uneasily. With style trends set for the coming winter, the only immediate worry is whether the fall buying season can get off to a healthy start without the glamour which traditionally accompanies the Paris openings. Members of the trade are afraid women won't be impressed by publicity on the showings of such ranking American designers as Hattie Carnegie, Nettie Rosenstein, Louise Barnes Gallagher, and Joe Copeland.

### American Cartel Proposed

The trade is wondering, too, whether individual American designers, however outstanding and prolific, will be able to get together on basic style trends. Members of the trade, led by Irene, designer for Bullocks-Wilshire, Los Angeles specialty store, have come forward with suggestions for an American fashion cartel, but realists point to many stumbling blocks. Chief of these is that first-class designers are split between New York and Hollywood—both of which now claim to be the fashion capital of the world. And skeptics, who doubt if enforced cooperation among the designers would work, point out that the French couturiers got together chiefly by a process of intuitive selection.

Besides the prospective dearth of basic style trends, the trade is worried about shortages of such items as kid gloves, laces, fine fabrics—brocades, lamés, damasks—and perfumes and perfume materials. Most serious of these seems to be perfumes. Stocks of gloves and laces in this country are estimated as being sufficient for the next four or five months and American manufacturers, given time, may well be able to step in. Demand for quality fabrics is not large enough to trouble any but the highest-priced specialty shops.

But, while individual manufacturers' stocks of essential oils and essences for perfumes are big enough to take care of demand for the next six months to two years, there is no immediate prospect of developing many essential ingredients in the U.S. Imports of finished perfume



# MEET THE *New* MR. THIRSTY FIBRE!



He's **TOUGHER**  
yet **SOFT**  
as ever!



TRADE MARK

## NEW *Soft-Tuff* ScotTissue TOWELS BRING COMFORT, ECONOMY

**W**ITHOUT sacrificing their famous *softness*, the new "Soft-Tuff" ScotTissue Towels have been made far *tougher* in use. They can be used right *up to saturation*—hence, they go farther. In tests, the new "Soft-Tuff" ScotTissue Towels have materially lowered previous ScotTissue Towel consumption.

The new "Soft-Tuff" ScotTissue Towels have been adopted by many great industrial plants as well as thousands of offices throughout the world.

In fact, so many firms are turning to the *new* "Soft-Tuff" ScotTissue Towels that their use has increased approximately 40%! Let us demonstrate *to you* their added comfort and economy.

Write for details about the **Scott Washroom Advisory Service**. It will help you arrange washrooms comfortably, hygienically and at low cost. It will suggest how to improve traffic conditions, reduce waste and increase employee and customer good will. Scott Paper Co., Chester, Pa.

Copyright, 1940, Scott Paper Co. Trade Marks "ScotTissue," "Thirsty Fibre" Reg. U. S. Pat. Office. Trade Mark "Soft-Tuff" Registration applied for.

Eliminate the washroom

*"Double Standard"*



**IN THE PLANT**, workers appreciate these sanitary, individual towels. And, since "Soft-Tuff" ScotTissue Towels are much stronger in use, one is sufficient . . . waste is reduced.

**IN THE OFFICE**, executives enjoy the comfort of these new towels. They're wonderfully soft, and designed to eliminate lint being left on the face or clothing.

# LOWER YOUR TRUCK INVESTMENT

## Save In Other Ways

A truck that stands idle is a "white elephant." By using a shuttle operation with Fruehauf Trailers, you greatly reduce waiting time, keep the truck almost constantly at work. With one truck you can handle several Trailers. You leave only the Trailers to be loaded or unloaded and use the truck to do a full-time job of pulling first one and then another of the Trailers ready to be moved.

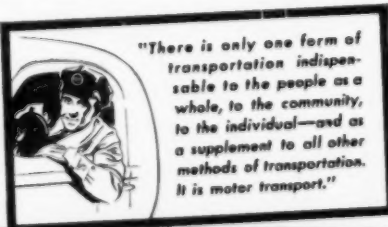
**HOW YOU SAVE**—Your investment will be far lower because you need buy only one truck and the Fruehauf Trailers. The truck can be a small instead of a large one since its job is simply to pull the Trailers instead of carry the loads. A complete Truck-Trailer unit will cost considerably less than even one large truck.

Gas and upkeep for the small truck will cost much less. You'll easily save 30%—or more, depending upon your operation. Consider this, too! One small truck in place of several big ones . . . a smaller capital investment . . . therefore, far less to write off each year, a much smaller outlay at time of truck replacement. And the Fruehauf Trailers will last ten years or more. Think of the savings on interest alone!

And don't overlook the tremendous savings you'll make by releasing drivers for other work. The savings here, alone, are so great that every truck operator who can possibly do so should use the "shuttle" method.

**GET THE FACTS**—You may find a "shuttle" operation ideal for you. In any event, through the Fruehauf Truck-Trailer method of hauling, you should be enabled to greatly reduce your costs. A competent Fruehauf transportation engineer will gladly study your hauling activity and get the facts, so that you may reach a definite conclusion.

Oldest and Largest Manufacturers of Truck-Trailers  
**FRUEHAUF TRAILER COMPANY • DETROIT**  
Sales and Service in Principal Cities



"There is only one form of transportation indispensable to the people as a whole, to the community, to the individual—and as a supplement to all other methods of transportation. It is motor transport."

# FRUEHAUF TRAILERS

*"Engineered Transportation"*

and toilet water are not a problem, since almost all the large manufacturers have long had plants in this country and only negligible amounts come from France.

The trade is full of hopes and rumors that French designers and exporters will be able to make deliveries again. With the couturiers there is the added possibility that many will set up shop outside France. Schiaparelli is now in America; Chanel and others are reported to have escaped to London; Rodier, the great textile house, is rumored to be transferring to South America. If the worst comes, the trade takes encouragement from such successes as those scored by the Californian designers, whose styles for beach and play clothes now rank with those of Paris.

## Question Grade Labels

Packers say arbitrary approval plans don't supply adequate data for consumers.

NEWS THAT continuous government inspection and grade labeling had been adopted by two independent California canners—N. Schuckl, of San Francisco, and U. S. Products, of San Jose—has brought into sharp focus the fundamental differences in opinion between the proponents of grade labeling and the canners and distributors opposed. As reverberations continue in the trade, reasons for the long-expressed opposition to grade labeling by such organizations as California Packing Corp. and Libby, McNeill & Libby—reasons unfortunately not made clear in the initial announcement (BW—Jul 6 '49, p.44)—were recalled.

### Reject "Cold, Rigid Terms"

Calpak, for instance, as early as September, 1937, clearly indicated its stand in a national advertising campaign to consumers, professional people and the trade in which the company definitely laid down its views in terms of the consumer's interest. Calpak contended at that time that "quality cannot be defined in cold, rigid terms, of measurement," in announcing a new labeling program aimed at giving the consumer more information than the A, B, and C grades of the U. S. Agricultural Marketing Service. The company said then: "Nor have we ever felt that any system of arbitrary grade labeling could possibly offer the complete and personal type of information to which consumers are entitled." This opinion still holds. In that same year, Libby, McNeill & Libby, as well as Calpak, indicated its position on the labeling question by the introduction of new "descriptive" labels containing full information on number, type, size, and variety of contents (BW—Feb 13 '37, p.31).

The canners opposed to grade labeling say that consumer interest is best served when labels "present complete informa-

tion on all of the convenience and quality factors relating to each product to help each consumer choose intelligently" so as best to meet her own menu problems. The grade labels, they hold, are academic adaptations of the old measuring rods established between canner and distributor for the trading convenience of both. As for inspection, their contention is that self-imposed regulation with their own inspectors and advisers located in fields, plants, and sampling laboratories is more desirable for consumers than any extension of government supervision. They point out, contrary to the original announcement (*BW—Jul 6 '40, p. 44*), that all products carrying nationally-known and nationally-advertised labels, irrespective of the cannery of origin, comply with such self-imposed regulation and hence would experience no difficulty in meeting government inspection standards. They add that it was incorrect to state that their long-term contracts with large growers can be characterized as being made "at low prices," saying that over a growers' contract period their prices will average above the market.

In the meantime the trade is waiting to compare consumer reaction to the government grade marks with the present public acceptance of the nationally-known trade marks.

### Finale on Brokerage Fees

FIRST OF THIS WEEK, the Federal Trade Commission ordered the Atlantic Commission Co., buying subsidiary of Great Atlantic & Pacific Tea Co., to discontinue accepting brokerage payments from producers. The act was the last—and an anti-climactic one—in the hardest-fought case yet brought by the FTC under the Robinson-Patman Act. Actually, Atlantic Commission has not accepted brokerage since this winter, when the Supreme Court upheld FTC's cease-and-desist against parent A.&P. (*BW—Feb 3 '40, p. 30*). The subsidiary voluntarily accepted the ruling then, and the present order merely ties the bow ribbon on the case.

### P.S.

FOR THE FIRST TIME since 1935, a six-month period has been completed without a net loss in the number of daily newspapers, according to J. P. H. Johnson, editor of N. W. Ayer & Son's Directory of Newspapers and Periodicals. New dailies started totaled 13 and another 13 suspended, leaving 2,015. . . R. H. MACY, New York's biggest department store, has long been known as an outstanding enemy of price maintenance laws, and in recent years its most vigorous spokesman has been Paul Hollister, executive vice-president and publicity director. Now Hollister is leaving Macy's. Contrary to some trade tips, informed observers expect the store will continue its anti-fair trade policy.

"more than meets  
claims made for it"

MAYER I. BLUM  
BENNETT HALL APARTMENTS  
PHILADELPHIA, PA.

THE MINNEAPOLIS-HONEYWELL WEATHERSTAT is a simple outside control that responds to the effects of wind, sun and outside temperature before they are noticeable inside. In the Bennett Hall Apartments, Philadelphia, the Weatherstat system saved enough fuel in one year to offset the cost of installation. Similar results, or even greater savings, with, added comfort, can be expected for your building, be it old or new, large or small. The Minneapolis-Honeywell representative will gladly show you. Minneapolis-Honeywell Regulator Co., 2728 Fourth Ave. S., Minneapolis, Minn. Canadian Plant: Toronto. European Plant: London. Company owned branches in 49 cities.

**MINNEAPOLIS-HONEYWELL**

*Weatherstat*

THE OUTSIDE CONTROL THAT'S HEATED



## PRODUCTION

PRODUCTS • PLANT • PROCESSES

### New Printing Method

**New York firm uses rubber plates and claims lower production costs, high quality results.**

PRINTING HISTORY may be seen in the making in the little plant of the new North River Press, New York, which got under way about two months ago to specialize in the printing of books and booklets from patented rubber plates.

Under the new method, press speeds are set to produce 6,000 impressions an hour. Output may climb as high as 12,000 when the new, web-fed, rotary unit developed by the Webendorfer Division of American Type Founders, Inc., completes its "run-in" period. "Make-ready" time has been cut materially. Savings in ink are reported as running more than 25%. Printing quality is said to compare favorably with any first-grade work which is produced from metal type and electrotype.

Type is set by hand or machine as in any printing plant. Proofs are taken and corrections made. Then, instead of going to the electrotyper, the type is placed on an hydraulic press whose platens are heated to a temperature of about 300 deg. F. A thin sheet of Plastiply, a special phenolic plastic, is placed over the type. Pressure is applied for 10 minutes, and a matrix, complete with every detail of type and illustration, is produced. Next, a thin sheet of special rubber is laid on the matrix and, on top of that, a thin spring brass plate 0.01 in. thick. Matrix, rubber, and brass go back into the hydraulic press and, within five minutes the rubber plate (called a Paraplate) is not only molded but securely attached to the brass plate.

#### Quick Remolding

The plate is then curved, clamped on the press, and is ready for a run of 200,000 impressions. In case of accidents to the plate, or if a longer run is desired, a new one can be molded from the matrix in five minutes. Because both the matrices and the plates are thin, they can be stored in a small space after the press run is completed.

Last week the new press was printing 32 book pages  $5\frac{1}{2}$  x  $8\frac{1}{2}$  in. on both sides of a continuous sheet (64 pages in all), and cutting each "signature" so accurately to size "on the fly" that no further trimming before binding was necessary.

It appears that rubber "takes" ink and lets it go more readily than metal, thus permitting "kiss" printing wherein printing pressures are a fraction of those used in most letter-press work. For this rea-

son, the rubber type characters on the plate do not deform as might be expected. There are apparently no limitations on type sizes. Rubber plates may be made from type, electrotypes, line engravings, and specially prepared 85-screen half-tones. Plates made from wood-cuts are said to be excellent.

Significance of the new development lies not so much in the use of rubber plates (for they aren't new) as in the speed and precision with which both long- and short-run book work can be handled. Cost elements are said to be especially favorable, and John Reed, president of North River Press, figures he is in a position to compete for much of book and booklet work which has been lured to the country from the metropolitan district by lower prices.

### Wider Tire Rims

IN EARLY SPRING indications were that some automobile manufacturers would adopt "wide-base tires" with rims about  $1\frac{1}{2}$  in. wider than the familiar jumbo tire rims (BW—May 18 '40, p. 43). Now, however, with the 1941 models just around the corner, it appears that most of them are seeking to satisfy the public thirst for change with rims only slightly wider than those of 1940. Result will be wider bases for standard tires, rather than newly-designed tires which would necessitate

new molds. Cars which had 4-0, rim sections for 6" x 16" tires will go to  $4\frac{1}{2}$  or  $4\frac{3}{4}$ , providing larger apparent cross sections to the tires and increased stability on the roads.

One large automobile manufacturer will feature raised portions, or lugs, on the rims alongside the beads of the tires. When a tire goes flat after a puncture or blow-out, the rim lugs grip the tire beads, and prevent the casing from tearing loose from the wheel.

### New Coast Plant

**Bonneville gets calcium carbide factory, first west of the Mississippi, only one at seaboard.**

GREAT IS THE REJOICING in the factory-hungry Pacific Coast states when a new industry makes its appearance. Cause for much mutual congratulation, then, among Coast promotion groups is the fact that construction is scheduled to begin next week in Portland, Ore., on a new plant for manufacture of calcium carbide, used largely as a raw material in the production of acetylene gas (the gas is generated when the carbide is placed in contact with water).

Operated by Pacific Coast Carbide Co., subsidiary of Stuart Oxygen Co., San Francisco, it will be the first such factory west of the Mississippi and the only one in the U. S. on a seaboard.

Increasing western markets for acetylene gas for welding and cutting metals is said to be the chief reason for Stuart Oxygen's move. Calcium carbide is used also as the basic chemical for many syn-

### Warm Weather Note: There's Ice Skating in Philadelphia



Nicely timed to coincide with the height of the hot spell, this outdoor ice-skating rink opened in Philadelphia, Pa., last week. It will operate

the year round, is said to be the first of its kind east of the Rockies. Refrigerating equipment for the \$300,000 rink was furnished by Frick Co.



Loaded Grain Cars at Santa Fe 10 Million-Bushel Elevator "A," Kansas City

# WHEAT

The wheat harvest in the Southwest is now in progress with gratifying results.

The Santa Fe, with its dependable, frequent and fast Freight Service, efficiently serves the Nation's wheat belt with over 7,500 miles of trackage in one of the largest wheat producing territories of this country.

Last year the Santa Fe originated over seventy thousand cars of wheat.

J. J. GROGAN, Freight Traffic Manager  
Santa Fe System Lines, Chicago, Illinois

★ WE FAVOR ADEQUATE PREPAREDNESS FOR NATIONAL DEFENSE ★

# Dig Deep

## FOR INSURANCE FACTS

The more questions fire insurance buyers ask, the better IRM representatives like it, for the more closely IRM protection is scrutinized, the greater is the likelihood of its adoption.

*When our representative says:*

. . . that frequent and regular inspections of your property by IRM fire-prevention engineers lessen the risk of fire and its accompanying losses . . .

. . . that losses are settled promptly when they occur . . .

. . . that policyholders have received a 25% return of their premiums annually since the founding of this group . . .

he will be glad to substantiate his statements with actual facts from the record.

Send for the booklet describing practical ways in which IRM can benefit you. You will find that the contents repay careful examination; we believe you will want to verify the facts—and then decide where to place your insurance to your own advantage.

## IMPROVED RISK MUTUALS

60 JOHN STREET, NEW YORK



A nation-wide organization of old established, standard reserve companies writing the following types of insurance: Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

thetic products including rayon, explosive cordite and synthetic rubber.

The customer-hungry Bonneville Administration is rejoicing because the new enterprise has signed a contract to buy 2,000 kilowatts of prime power from the giant project on the Columbia River.

Calcium carbide is made by melting the lime (found in the Grant's Pass section of Oregon) with carbon (manufactured in Portland) in an electric furnace at 3,000 degrees Centigrade. The liquid is poured off into ingots and later crushed to commercial sizes. There are about four major producers of calcium carbide in the U.S. with plants in New York, Virginia, Iowa, and Michigan.

### Ready-Made Water System

New types of equipment are appearing on the market to meet expanding demand caused by the spread of rural electrification which, in the last four years, has increased the number of farms receiving central station current from 800,000 to 1,800,000 or to more than 27% of all farms. Announced this week, for instance, by Fairbanks, Morse & Co. is a self-con-



tained water system to sell for \$57.50. It is said to be light enough to be carried easily by one man and installation is simple.

The new unit comes fully wired and may be plugged into any electric outlet as soon as the purchaser has attached enough pipe to reach the water source and the sink or the stock trough.

The outfit consists of a 1/2-h.p. motor, a shallow-well pump (22-ft. lift limit), a 7-gal. tank, water and electrical connections. It will throw 250 gal. per hour with a 15-ft. suction lift, and 350 gal. with flooded suction.















































### Plastics Institute

SCHEDULED TO OPEN SEPT. 6 in Los Angeles, the new Plastics Industries Technical Institute is rapidly defining its courses in plastic design and production and assembling its faculty. E. F. Lougee, former editor of *Modern Plastics*, will be chairman of the board of governors.



# THE FIRST HALF ROUNDUP

1940 compared with 1939

PRODUCTION	%	TRADE	%	PRICES	%
 <b>STEEL</b> .....	+37	 <b>CHECK</b>		<b>WHOLESALE PRICES</b> .....	+3
 <b>AUTOMOBILES</b> .....	+24	<b>TRANSACTIONS</b> .....	+5	 <b>Farm products</b> .....	+5
<b>CONSTRUCTION:</b> .....	-4	<b>N. Y. C.</b> .....	-1	 <b>Food products</b> .....	+2
 <b>Residential</b> .....	+7	<b>140 cities</b> .....	+10	 <b>Hides and leather</b> .....	+11
 <b>Non-Residential</b> .....	-9	 <b>LIFE INSURANCE</b>		 <b>Textiles</b> .....	+11
 <b>Public works and utilities</b> .....	-14	<b>SALES</b> .....	-4	 <b>Building materials</b> .....	+4
 <b>LUMBER</b> .....	+8	 <b>CEMENT SHIPMENTS</b>	-1	 <b>Chemicals</b> .....	+1
 <b>ELECTRIC POWER</b> .....	+11	 <b>PAINT, VARNISH, LACQUER SALES</b>	+5*	 <b>Metals</b> .....	+1
 <b>HARD COAL</b> .....	-6	<b>CARLOADINGS</b> .....	+11	<b>Raw materials</b> .....	+4
 <b>SOFT COAL</b> .....	+37	 <b>Grain</b> .....	-5	<b>Semi-Manufactures</b> .....	+6
 <b>PETROLEUM</b> .....	+11*	 <b>Livestock</b> .....	-2	<b>Finished products</b> .....	+2
<b>OIL WELLS DRILLED</b> .....	+22*	 <b>Coal and coke</b> .....	+31	 <b>CONSTRUCTION COSTS</b> .....	+2
 <b>TEXTILE MILL CONSUMPTION</b>		 <b>Forest products</b> .....	+15	 <b>DEPARTMENT STORE PRICES</b> .....	+4
<b>Cotton</b> .....	+8	 <b>Ore</b> .....	+45	<b>COST OF LIVING</b> .....	+1
<b>Silk</b> .....	-31	 <b>L. C. L.</b> .....	-3	 <b>Food</b> .....	+2
<b>Wool</b> .....	-7*	 <b>MISC.</b> .....	+10	 <b>Housing</b> .....	+1
<b>Rayon</b> .....	+13	 <b>RETAIL TRADE</b>		 <b>Clothing</b> .....	+1
 <b>CIGARETTES</b> .....	+6	<b>Department store sales</b> .....	+4	<b>Fuel and light</b> .....	+0.2
 <b>CIGARS</b> .....	-2	<b>Variety sales (5¢-\$1)</b> .....	+3	<b>Sundries</b> .....	+0.3
<b>FACTORY EMPLOYMENT</b> .....	+7	<b>Rural sales</b> .....	+4	<b>STOCK PRICES</b> .....	-2
 <b>FACTORY PAYROLLS</b> .....	+14	 <b>HOUSEHOLD REFRIGERATOR SALES</b>	+32	 <b>BOND PRICES</b> .....	-0.2
		 <b>WASHING MACHINE SALES</b>	+6	 <b>FARM INCOME</b> .....	+8
		 <b>OIL BURNER SHIPMENTS</b>	+28*	 <b>DIVIDENDS</b> .....	+14
		 <b>PASSENGER CAR SALES</b>	+29*		
		 <b>TRUCK SALES</b> .....	+19*		

Business Week's Index of Business Activity + 15%

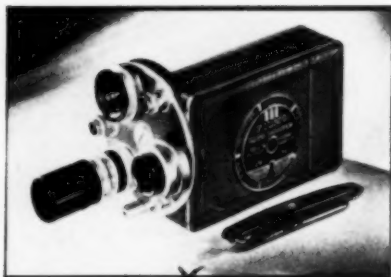
\* Preliminary

© BUSINESS WEEK

## NEW PRODUCTS

### Turret-Magazine Camera

CLAIMED by Bell & Howell Co., 1801 Larchmont Ave., Chicago, to be the "first



multi-lens magazine loader in the industry," the new 16-mm. Filmo "Auto-Master" Movie Camera offers instant use

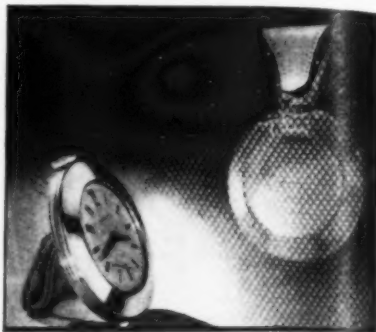
of any three lenses in its turret head, automatically-positioned view finders for each lens, and freedom from sprocket threading. The "Steady Strap" detachable handle screws into the tripod socket, provides a good hold for carrying or for steadying the camera while shots are being made.

### Thumb Protection

BOWLERS with sensitive thumbs will be interested in the new Easy-Hold Rubber Bushings developed by Manhattan Rubber Mfg. Division of Raybestos-Manhattan, Inc., Passaic, N. J., for Manhattan "truly-spherical" bowling balls. The ball is drilled to suit the bowler's grip, then counterbored to receive the thumb-protecting red rubber cushion.

### Clip-Easel Watch

THE SAME leather-covered clip which holds the new Westclox Clip-Easel Watch in the pocket doubles as an easel for the



desk or table. De Vaultier, Blow & Wilmet, New York industrial designers, designed it for Westclox Division, General Time Instruments Corp., La Salle, Ill.

### Leak-Stopper

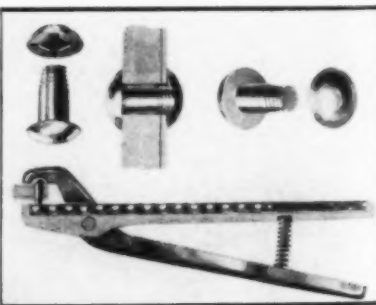
FIRST discovery by the new laboratory of Flexrock Co., 23rd & Manning Sts., Philadelphia, is an improved Flexite for stopping leaks in retaining walls, dams, concrete tanks, reservoirs, basements, etc. Mixed with ordinary portland cement and forced against water pressure, it stops a leak in "seconds instead of minutes."

### Quick Label Dispenser

EVER SINCE Kum-Kleen self-adhesive labels came on the market (*BW*—Sept. '38, p.49), they have been supplied by Avery Adhesive Co., 334 E. 4th St., Los Angeles, on rolls of backing paper from which they must be detached one by one. Now the company is supplying them in the new Kum-Kleen "Self-Dispensing" Package which lifts each label off automatically as the backing paper is pulled from it.

### Spring Fastener

TO APPLY the new Hopkan Fastener and Spring Locking Button, thrust the stud through a suitable hole, and squeeze on the button with the special magazine



plier. As manufactured by Hopkan Rivet Co., 128-130 Latham St., Pittsburgh, the stud has parallel grooves over which the spring button snaps. Finished appearance is normally that of a round-head rivet, but locking buttons are available to simulate hex nuts and other shapes.

## Speed Nuts

# herald the dawn of a New Day in Product Assembly

**OVER 700 SHAPES AND SIZES**

**APPLIED FASTER**

**ALWAYS REPLACE 2 OR MORE PARTS**

**LIGHTEN WEIGHT**

**OLD FOREVER TIGHT UNDER FIRM SPRING TENSION**

**OVER 500 MILLION ALREADY USED—OVER 700 SHAPES AND SIZES**

The flexibility of the SPEED NUT System to various types of assemblies is as remarkable as the speed of the assembly itself. SPEED NUTS and Speed Clips always reduce the number of parts formerly required, lighten weight, provide double-locking spring tensioned grip, afford vibration-proof fastenings, improve the product and add smooth speed to the assembly lines.

May we ask for full details on your assembly problem? Samples and engineering data will be forwarded immediately.

**TINNERMAN PRODUCTS, INC.**  
 2047 FULTON ROAD CLEVELAND, OHIO  
 Manufacturers of Patented SPEED NUTS  
 IN CANADA: Wallace Barnes Co. Ltd., Hamilton, Ont.  
 IN ENGLAND: Simmonds Aerocessories, Ltd., London.  
 IN FRANCE: Aerocessaires Simmonds, S. A., Paris.

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

### Success Spurs U.A.W. Ambition

**With G.M. and Chrysler contracts supplying new vigor, expanded auto union lays plans at St. Louis for organizing aviation. Ford situation is sole threat.**

EIGHTEEN MONTHS AGO labor's organization in the automobile industry was a house divided against itself. Factionalism that fed on political differences and personal ambitions threatened to destroy it. As a force in the industry it seemed to rely exclusively on its nuisance value.

But in St. Louis this week R. J. Thomas, re-elected president of the United Automobile Workers' Union, reported an extraordinary rehabilitation of this second largest unit of C.I.O. The record, as set forth at U.A.W.'s fourth constitutional convention, showed: (1) that paidup membership in May, 1940, (the last month audited) was 294,428, the highest point since 1937 and a 93% increase over the paidup membership of May, 1939; (2) that within the last year, 327 companies, plants, or garages have been brought under contract, making a total of 647 plants under contract, covering 411,280 workers; (3) that of 160 National Labor Relations Board elections, held within the last eighteen months, the U.A.W.-C.I.O. obtained majorities and was certified as sole bargaining agent in 110 of these elections, and thus became sole bargaining spokesmen for 227,416 workers.

#### Rises to "Responsibility"

The most striking contrast, epitomizing the union's new status, is its position in General Motors, where little more than a year ago its wildcat strikes and irresponsibility made chaos the order of the day. Now, with a disciplined membership in G.M.—almost 90% of its workers are reported as paying union dues—company and union have learned to get on with each other in a fashion which seems to ensure a stable relationship. G.M. has proceeded to deal with the union on the assumption that it is a permanent fixture in the labor picture, and the union has reciprocated by publicly doffing its hat to the corporation for what it calls a "changed attitude." Already, within the framework of the new G.M. agreement, now only three months old, an efficiently functioning grievance machinery is coming to be considered a model plan.

The outlook for G.M. is labor peace. Next year, when the present contract expires, the union may ask for the closed

shop; but, extreme as the union's demands may be, the practice of collective bargaining seems to be getting deeply enough rooted in G.M. so that the moves will be made around a conference table rather than over a picket line.

#### Chrysler Accepts Union, Too

In Chrysler the situation is not as favorable, from the union's point of view, as it is in G.M. U.A.W. says that dues collections come harder, grievances seem to be handled more slowly, and there was a let-down in the Chrysler locals when the G.M. workers got vacations with pay which the Chrysler contract does not provide. Management's attitude, however, is essentially the same as G.M.'s. There is an evident acceptance of the union and a real desire to work out a design for living with U.A.W. which will stabilize the company's labor relations. One factor in the union's problem in the Chrysler situation is the loyalty of some 4,000 Chrysler workers to the A.F.L. But Detroit observers say off-the-record that the real difference in the two situations is union leadership, that Richard Frankenstein, U.A.W. director for Chrysler locals, is not of the same quality as Walter Reuther, his opposite number at G.M.

In Ford, U.A.W. has nothing worth talking about. It explains its weakness in Dearborn by saying that, for the last eighteen months, it has had to give its attention to reorganizing itself in plants previously lined up. Detroit observers add that U.A.W. has not really tried to organize Dearborn and that Ford workers seem to be indifferent to the gospels of unionism. In store for Ford are more, and more violent, denunciations, flanking actions through Labor Board complaints, but not too much serious organizing. Tip-off to the union's appraisal of its own strength in Ford is the fact that it has never asked the Labor Board to hold an election. It knows it can count on only an insignificant number to support it—even in a secret ballot.

On the question of whether U.A.W. can continue to exist as a stable organization with a major producer like Ford unorganized, there is divided opinion. Industrial relations men in the industry answer yes,

**NO -  
Ordinary paper  
WON'T DO!**



His problem wasn't unique. Just a matter of finding the right paper.

Someone suggested Patapar Vegetable Parchment. That solved the problem. Unlike ordinary papers, Patapar is insoluble, tasteless and odorless. And it is grease-resisting, too. It can be exposed to water, fat, oils, freezing, and boiling and calmly stay firm and efficient.

Here are a few everyday Patapar uses. From them you may get an idea.



Wrapping fish calls for a paper that will resist moisture and oils. That's why you'll see leading brands wrapped in Patapar.



Have you noticed how attractive and efficient the wrappers they use for asparagus are nowadays? That's Patapar for you!



Wrappers for frozen foods must meet strenuous requirements. That's the kind of job that Patapar likes.



Poultry men will tell you that Patapar is ideal for protecting poultry. They use it as box liners or individual wrappers.

If you will write us on your company's letterhead, we'll gladly send samples of Patapar. Be sure to tell us the use you have in mind so we can furnish sheets of the size, weight and finish recommended for your purpose.

## Patapar Vegetable Parchment

**Paterson Parchment Paper Company**  
Bristol, Pennsylvania  
West Coast Plant: 340 Bryant St., San Francisco  
Branch Offices: New York, Chicago  
Headquarters for  
Genuine Vegetable Parchment since 1885



without equivocation. But seasoned labor leaders wonder how long U.A.W.'s leadership can appear at conventions and make promises about organizing Ford without showing results. As long as the Ford issue is present there will exist within U.A.W. a rallying point and tailor-made issue for any opposition group. In the long run it can become serious and disruptive.

### Fight on Double Front

U.A.W. will make its next major effort in the aircraft industry, over which its C.I.O. charter gives it jurisdiction. Here it will have to compete with established and powerful A.F.L. unions, a situation new in its experience, as well as attempt to penetrate a largely open-shop industry. As a starter it has three contracts in aviation plants (BW—Jul 20'40,p.28) and last month in a labor board election it carried the Vultee plant in the strategic Southern California aircraft center by a 3-to-1 majority.

Along with the aircraft campaign, the union will keep busy by trying to organize farm equipment workers in International Harvester, John Deere, and other companies, as well as by pushing a campaign, initiated a year ago, to unionize the "competitive shops"—meaning the contract-job foundries, tool and die works, and similar enterprises whose products go into the auto industry.

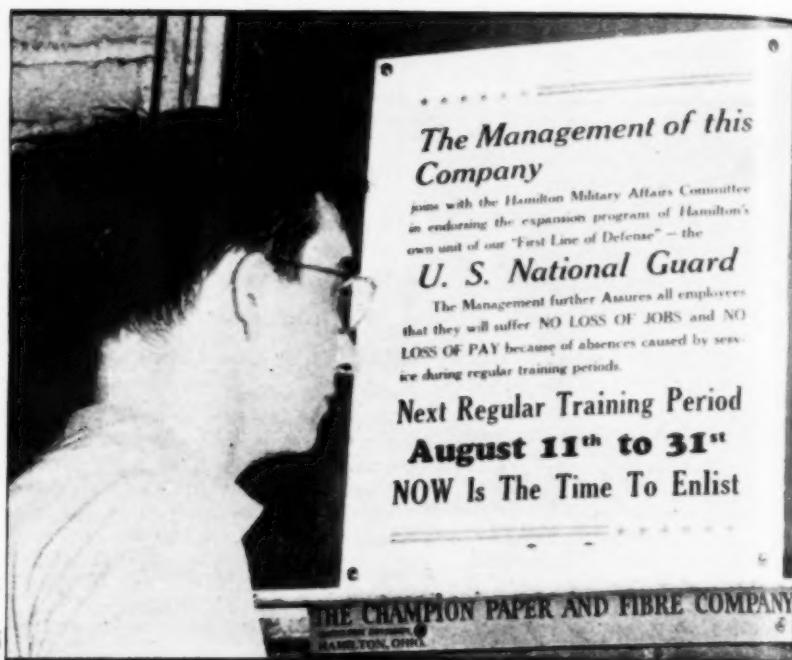
Despite the ambitiousness of this organizing campaign, the union does not intend to let its dynamic expansionism upset the peaceful development of the bargaining relationships which it has been establishing in G.M., Chrysler, and other plants under contract. The union firebrands whose place is on a soap-box will be kept strictly out of the conference rooms.

## Shipyards Need Men

**State officials, union leaders battle over Knox suggestion to import men to Philadelphia.**

**PROBLEM:** How to fill a labor shortage. Shipyards along the Delaware River near Philadelphia—getting their share of the rapidly expanding shipbuilding program fostered by national defense (BW—Jul 27'40,p.16)—need skilled workers.

Last week, the first suggestion of how to deal with the dilemma came from Secretary of the Navy Frank Knox, who suggested importing skilled workers from all sections of the United States to bolster the dwindling supply of craftsmen. This aroused an immediate storm of protest from Commonwealth of Pennsylvania officials, who—confronted with mounting relief costs which they attribute in part to mechanics on relief rolls in Philadelphia—even wired a protest to Sidney Hillman, labor coordinator of the Defense Advisory Commission.



Posters in Hamilton, O., plants tell how the Citizens' Military Affairs Committee of Hamilton made it possible for local National Guardsmen

to attend training camp without loss of pay or danger to jobs. "The Hamilton Plan" is being copied in many other cities. Other plans—page 37.

They contended that thousands of out-of-work machinists, iron and sheet metal workers, plumbers, and electricians are available through the State Employment Service for immediate training in shipbuilding skills. In fact, they even said that in Philadelphia alone 1,500 men are already taking special courses.

At direct variance with this view was that of union leaders. Contending that there is a definite shortage in specialized workmen, they extended an open-arms invitation to any shipfitters, shipwrights, and loftsmen who might move to the Philadelphia area. United in this opinion were Philip Van Gelder, secretary-treasurer of the C.I.O. Industrial Union of Marine and Shipbuilding Workers, and Alfred Spauseprest of the A.F.L. Metal Trades Council. The latter is the majority union at the Philadelphia Navy Yard.

Both union leaders recognize that local relief rolls are liberally sprinkled with unemployed mechanics (who are not necessarily trained in shipyard skills). The A.F.L. union went so far as to declare that it even favors importing men with shipyard experience from the Philippines if necessary, rather than the inauguration of big craft teaching programs for the unemployed.

State officials only hinted that they thought the unions were probably more interested in the increased dues that would accrue from skilled workers than in solving permanently the labor shortage problem.

Actually, there were no estimates of

definite labor requirements at the New York Shipbuilding Corp., the Sun Shipbuilding & Drydock Co., or the Pusey & Jones Corp.—the yards most vitally affected—but Navy Yard foremen admitted a shortage of skilled mechanics there. Further shortages are foreseen if plans to open the old Cramps Shipyard, in Kensington, Pa., are realized by the W. Averell Harriman interests in New York.

## Flying by Correspondence

TO HELP TRAIN part of the 900,000 persons that the National Aeronautics Council estimates will go into government and civil aeronautics in the next year, the Council last week opened a correspondence "ground school" for men and women seeking pilot ratings and jobs at airports and aviation plants.

Primary purpose of the plan is to reach persons who cannot afford regular training school tuitions or who have no such schools available. And, by this method, the Council hopes to provide opportunity for beginners to choose careers.

The 12-month course will cost each student 25¢ a week. During the year, each will get 1,028 "lectures," to be illustrated with about 1,500 photographs and diagrams. Contributors and faculty of the course include such authorities as General J. E. Fechet, retired, former Chief of the Army Air Corps; Dr. Alexander Klemin, of the Guggenheim School of Aeronautics; and Dr. Jean Piccard, stratosphere balloonist.

## Firms Pay Guardsmen

Many companies have announced special financial provisions for employees.

F.D.R. TOLD a recent press conference that methods for cushioning the financial shock for men called to military service were being studied. Meantime a survey made by the United Press and other sources reveal that many companies are making special provisions for men in the National Guard. Some typical plans:

Metropolitan Life Insurance Co. gives compensatory pay in addition to regular vacations with pay. It will guarantee jobs for employees who enlist or are called to service and will carry present group life insurance without extra charge.

The Texas Corp. grants leave of absence and compensatory pay up to three months with all company benefits for employees attending military training camps.

General Motors allows hourly workers \$3.50 per day for the three weeks in Guard camps. Salaried workers are paid for two of the three weeks but are allowed two additional weeks of vacation with pay, one of which may apply as the third week of training.

Standard Oil Co. of N. J. grants Guard members three weeks' adjusted pay. Employees in New Jersey will receive the difference between government and company pay for the first three months.

Carnegie-Illinois Steel gives Guard members 15 days' leave and makes up the difference between government and company pay. No pay is given for the third week but it may apply against vacation allowances.

### Paid Vacations, Too

International Harvester pays three weeks' salary during Guard duty, also paid vacations.

Westinghouse grants compensatory pay for the training period in addition to regular vacations.

General Mills gives up to 60 days' pay during training as well as regular paid vacations.

Bell Telephone, Consolidated Edison, and Macy's New York department store allow three weeks' compensatory pay.

International Business Machines grants compensatory pay for a maximum of 30 days.

Ohio National Guard reports that a three-week protection against pay loss is provided by Procter & Gamble, Kroger Grocery, Milling Machine Co. and others.

New York's Stock and Curb exchanges and numerous commodity exchanges give trainees two weeks' pay this year instead of two formerly allowed.

The move to compensate workers for training time is attaining national importance through the efforts of state and local business organizations.

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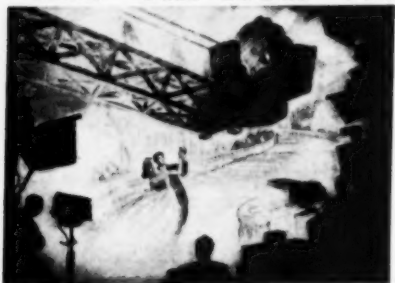
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## Wage Groups Act

Industry committee recommendations raise pay of 500,000. Further action is scheduled.

TO DATE, ten orders increasing the wages of more than 500,000 workers have been issued by the Wage-Hour Administration on recommendation of industry committees. Thus, although this phase of Wage-Hour administration has been crowded off news pages by more sensational labor developments, the committees—set up at various times since passage of the Fair Labor Standards Act in 1938—have not been idle.

At present, four of the committee's recommendations are on the desk of Administrator Philip Fleming awaiting action and two other committees are about to start their investigations. This evidence of continuing activity leads to the conclusion that even national defense will not impair immediately the work of these groups.

The Wage-Hour Act, which now sets a minimum wage of 30¢ an hour for all interstate industry, also directs the administrator to appoint these "industry committees" to investigate economic conditions in their fields. Each committee is made up of representatives of the public, employers, and employees. It recommends to the administrator either (1) that the industry be permitted to retain the 30¢ minimum, or (2) that the highest minimum wage up to 40¢ an hour (which in its judgment will not curtail employment) be established for that industry. The 40¢ minimum wage is the one which the law establishes generally beginning October, 1945.

### Procedure—and Its Results

When the administrator receives such a recommendation, he holds a public hearing at which any interested person may appear. Then, he may either issue an order putting the recommended wage into effect, or, if he disapproves, he may refer the matter back to the committee or to another committee appointed for that purpose.

So far, the industries which have gone through this procedure, and the wages they have been ordered to pay, are:

Industry	Rate per hour	Effective date
Hosiery	.32½-.40	9/18/39
Cotton, rayon, silk, and certain other textiles	.32½	10/24/39
Millinery	.40	1/15/40
Shoes	.35	4/29/40
Commercial knitting	.33½	5/6/40
Wool	.36	6/17/40
Wool-felt, fur-felt, and hatters' fur branches of hat industry	.40	7/1/40
Straw harvest hats in U. S.	.35	7/1/40
Straw harvest hats in Puerto Rico	.30	7/1/40
Apparel	.32½-.40	7/15/40
Pulp and primary paper	.40	9/16/40

Still pending are the following recom-

## Writes Draft Bill



Harris & Ewing

Representative James W. Wadsworth, co-author with Senator Edward R. Burke of the compulsory military training bill now before Congress, listens intently as witnesses press for the bill's passage. *Business*, with one ear cocked toward Washington, wonders just who will be exempt when the proposed draft becomes law.

recommendations from industry committees:

(1) A minimum of 40¢ in the leather industry. The public hearing was held June 3, but no order has yet been issued.

(2) A minimum of 33¢ to 36¢ for railroads. This awaits a public hearing.

(3) A minimum of 35¢ in the luggage and leather goods field. This awaits a public hearing.

(4) A minimum 35¢ to 40¢ for rug and carpet makers. This awaits a public hearing.

The two other committees which have so far been appointed but are yet to take action—converted paper products and embroidery—have not yet held preliminary hearings. The paper group will begin investigations in September.

## Garment Trade Peace

Hoping to be "style center of world," New York breathes easier when cloakmakers sign up.

EVERYBODY in the New York garment trade breathed easier last week when a new two-year contract covering about 31,000 cloakmakers was signed. Because of the war, New York has hopes of becoming the "style center of the world." Obviously, war within the industry is as bad for these hopes as real war abroad is for Paris designers (see page 26).

After a month of strained relations, during which a general garment workers' strike was threatened, Governor Herbert



Lehman of New York stepped in and called representatives of the International Ladies Garment Workers' Union, the New York Cloak Joint Board, and employers' associations into his Park Ave. residence.

Main feature of the new contract is the establishment of a fact-finding Board of Stability and Control, which will be given the power to adjudicate industry controversies when they arise. Another feature designed to give the contract flexibility provides that, although the contract covers two years, it will expire in one year if issues submitted to the Board are not disposed of by March 25, 1941. One employer group—Infants' and Children's Coat Association—refused to sign the contract because, it said, the agreement did not meet its problems.

## A.F.L. Newsmen

**Local tackles Guild on N. Y. Times case. Plans international council of editorial workers.**

MEMBERS of the C.I.O. Newspaper Guild of New York were set back on their heels last week when they marched into the office of the New York Times to make another stab at getting the Times to sign a contract. After listening to their request, Publisher Arthur Hays Sulzberger threw the bombshell by announcing that he had on his desk a letter from Local 22,397, A.F.L. American Newspaper Writers Association, which claimed majority representation of newsroom employees.

This is not the first time that the A.F.L. has been heard from in the newspaper field—several other federal locals have been chartered, and some of them, notably in Los Angeles and Chicago, have figured in the C.I.O. Guild's long tussle with the Hearst papers—but never has the A.F.L. Newspaper Writers' Association had a chance to speak its piece under such impressive auspices.

### Forms Aggressive Plans

Future development of the association, possibly into a full-fledged international union, hangs on the success which the New York local achieves in making good its boast of a majority representation in the New York Times' newsroom. (The association admits only news writers, excludes the circulation and business staff employees which the C.I.O. Guild admits.) The association has already announced its intention of trying to organize all New York newspaper writers, despite the fact that the Guild already holds contracts with the Associated Press, the United Press, the Brooklyn Eagle and Times-Union, and the New York World-Telegram, News, Post, Mirror, and Journal-American.

If an international is formed, newspaper publishers can expect a welter of

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National Labor Relations Board elections to determine representation of editorial employees. At least, an NLRB election seems to be the next step in the move to write a contract with the *Times*.

Alongside the A.F.L. claims, the Guild says it has organized 420 persons in the *Times* office since Jan. 1. That many, plus the members it says it had before Jan. 1, would give it a majority.

Some newsmen were not as surprised over formation of the A.F.L. chapter last week as others. It was, they said, a logical outgrowth of the long-smoldering minority dissatisfaction with Guild leadership because it was leftist. The *Times*, they said, would be a logical jump-off for an A.F.L. counter-move such as this.

## C.I.O. Promotes Housing

C.I.O.'s CONSTRUCTION Workers Organizing Committee claims progress in a program of creating work for members by stimulating development of private projects to house C.I.O. workers generally. A project at Long Beach, Cal., is well under way; similar jobs are being started at Kearney, N. J., and Buffalo, N. Y. Others are planned at Camden, N. J., and Washington, D. C.

At Kearney, the C.I.O. shipyard workers' union has arranged with a contractor, Cornerstone Federal Realty Co., to build some 500 houses which will be sold through the union to its members. Homes will cost about \$2,500, and will be financed by FHA-insured mortgages with an arrangement that avoids a down payment. The contractor, of course, will employ CWOC labor. The shipyard workers, incidentally, have petitioned USHA to establish defense housing projects also in Kearney and Camden.

## Defense Note: a First

FIRST SUBSTITUTION of women for men because of shortages of male labor due to defense activity was reported last week in Cleveland, where the Statler Hotel has had to hire women elevator operators for the first time in its history. About 15 operators have left their jobs for positions in the metal trades in the last few months, the hotel manager says. Men, hired to replace them, likewise quit. Finally, the harassed management decided to employ women.

## A Wage-Hour Record

NON-COMPLIANCE with the Wage-Hour Act so far has cost three Minnesota lumber company owners \$10,000 in fines and \$35,000 in back wages. But, since these amounts were levied only on the basis of two counts on each information presented to the court, and there was a total of 151 counts, the worst may be yet to come. So far the levy takes the record as the largest enforced penalty ever handed down under the Wage-Hour Act.

# MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

## Stocks Break Out of Doldrums

And the sudden interruption in sidewise movement sends market analysts to charts to figure trends, implications, and future performance.

"INERTIA IS THE PROPERTY of matter by which it will remain at rest, or in uniform motion in the same straight line unless acted upon by some external force," says Webster. And the mourners who attended the July wake in Wall Street agreed that the market had been both at rest and inert. From June 28 to July 29 the volume was lower than in any other period on the Stock Exchange since the pre-Armistice days in the late summer of 1918. In the week of July 21-27 an average of only 212,333 shares a day was sold on the Big Board and hourly sales on eight separate occasions were less than 30,000 shares.

Prices, also, have drifted lethargically "in uniform motion in the same straight line" as is seen in the chart (p. 42) which shows the Standard Statistics Co. averages of stock prices. From June 28 to July 30 the stocks which comprise the Dow-Jones averages also crept horizontally in a groove which measured only 2.16 points for the industrials. All this adds considerable import to the vigorous and decisive break-through on the upside last Tuesday when the latter averages jumped 2.82 points to 125.97 in a turnover of 670,000 shares, largest for more than a month. Rail averages rose 0.51 points to 27.09. The prime tenet of the Dow theory is that a narrow straight-line formation indicates a period either of distribution or of accumulation. When both the industrial and the rail averages break out of the trading range and rise above the high point of the line, the indication is regarded as strongly bullish. If volume increases at the same time, it epitomizes the majority opinion that stocks are worth bidding for at the higher quotations.

### Beliefs about Values Reflected

Most widely used stock market system, the Dow Theory was formulated more than 50 years ago by Charles Henry Dow, one of the founders of Dow, Jones & Co., who observed that stock prices tend to move for months and even years in one direction before reversing. As Mr. Dow wrote in 1901, "the stock market represents a serious, well-considered effort on the part of far-sighted and well-informed men to adjust prices to such values as

exist or which are expected to exist in the not too remote future. . . . The man who as a woolen merchant sees the demand for his goods suddenly disappear, or who as an iron dealer finds prices uncertain and bills receivable becoming somewhat doubtful in quality, is not quickened thereby to trade on the long side of stocks." Thus, he believed that all knowledge about the present condition of business, and all hopes and fears for its future are reflected in today's market, without for a moment implying that the individual who would comprehend the trend of events should ignore tomorrow's news.

### Must Watch for the Signals

The theory does not discard earnings as the basis for real value of a stock. It does, however, minimize past earnings, seeking rather to predict how the market will react to future profits. For instance, in 1930 the average earnings of any particular corporation for the previous five or ten years might have been excellent. Shares were available at much lower quotations than were possible in 1929. Yet the market chart had given a bear signal, a warning which kept theorists out except perhaps on the short side. The same was true for the bear market warning of mid-1937. The bull market indication of 1933 signaled the favorable time to accumulate equities.

The stock market not only reflects all that is known and foreseen, but it also weighs the opinions of its millions of "editors" in accordance with their demonstrated soundness of judgment. Those who have a long record of correct appraisals deal in larger lots and hence influence the barometer more than those who frequently misjudge the situations and, for their mistakes, are put out of the game. A strong case can be made for the accuracy of the Dow charts in forecasting trends since 1885 despite upsets caused by wars, famines, changes in Presidents and laws, and "unusual circumstances."

Early in 1937, the five-year bull market came to a close as Dow-Jones industrial averages touched 194.40. A year later these averages were down to 98.95 and since then have fluctuated between these two points. Until Belgium was invaded,

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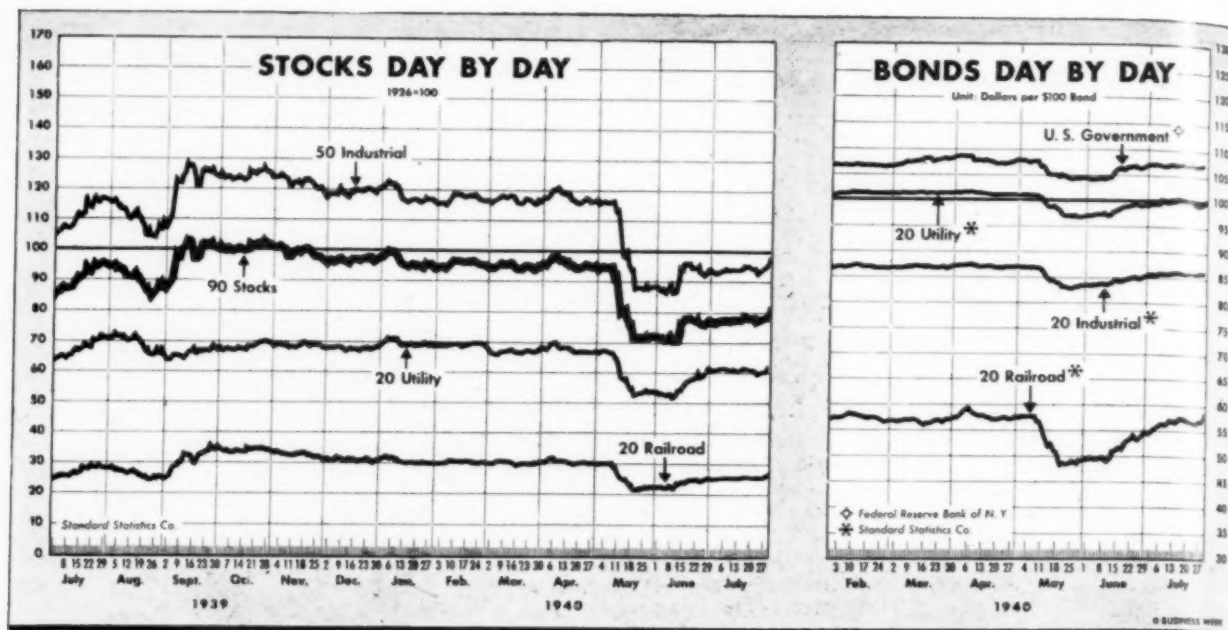
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the charted averages resembled a triangle, with the range gradually narrowing as each successive peak was lower than the preceding top and each successive valley was higher than its predecessor. Soon after the Nazi war-machine won a foothold in the Lowlands the averages broke out of the triangle formation at the 150 point on the downside, and with greater volume of trading. This signaled a *putsch* in which the averages slid to 111.84.

Strangely enough, when Italy entered the war as the last straw to break the back of tottering France, prices firmed and continued their gains. The fall of Paris meant only stronger bidding. Since June 28, trading has been sluggish as speculators weighed England's chances and the prospects of higher profits inherent in national defense plans.

### Worrying More Than British

Chart readers figured it out this way: (1) The recent stalemate indicated a total lack of liquidating pressure; (2) repeated break-throughs of the railroad averages on the upside, even though unconfirmed by action of the industrials, indicated a bullish tendency; and (3) a 24% rise in the industrial share average and 28% boost in rail securities in the London market during July indicated that Wall Street was worrying more than the closer-to-the-scene Britisher about the eventual outcome of the war.

Conclusion as reached by Dow theorists: The primary trend is down because as yet no signal has been received to offset the effect of persistent bear market warnings since autumn, 1937, and averages still are lower than the point of penetration of the three-year triangle previously mentioned. However, Tuesday's vigorous rush to acquire stocks established a secondary uptrend. Strategic, long-term signal points in the industrial

average now are 151.29 and 111.84. Penetration of the former should mean inauguration of a primary bull movement and smooth sailing up to the 194.40 of early 1937. Dip below the 111.84 would encounter increased resistance as the 98.95 of early 1938 is approached.

## Big Steel Profits

**U. S. Steel Corp. pays common dividend twice in one year for first time since 1932.**

THIS WEEK the United States Steel Corp. is operating at 94% of capacity, the highest figure attained since August of 1929. For the last few weeks incoming orders have been a little larger than shipments. About 15% of its business is for export. Moreover, its sales for export were just about the same in the second quarter as in the first, indicating that as long as England remains at war Big Steel's foreign business is likely to be maintained.

These are high spots from the things Chairman Irving S. Olds told the press on Tuesday afternoon on the occasion of making public the corporation's earnings for the second quarter and of announcing a dividend of \$1 a share on the common stock. His remarks cast light on what's going on in heavy industry.

He went on to say that the corporation has felt little influence from the national defense program up to this point excepting in shipbuilding. He also indicated that U. S. Steel had been asked to increase its capacity to turn out heavy armor plate but that the management was reluctant to take action until it was assured this new plant could be amortized within the period when it will be getting government armament business.

The corporation's stockholders, accus-

tomed to the profits famine of the 1930's, probably were well enough pleased with second-quarter earnings of \$19,201,008. That figure has been exceeded in only five quarters since 1930. It tops by a fair margin the \$17,113,995 for the first quarter of this year and dwarfs the \$1,309,761 reported for the second quarter of 1939.

However, it is a pretty safe bet that earnings over the remainder of this year will show what a feast-and-famine industry can do when it comes to a banquet. Shipments for the second quarter amounted to 66.4% of capacity. That's a far cry from the present operating rate above 90%, even though 90% operations may not at once be carried over in their entirety into shipments of finished steel.

### Great Expectations

Add to these high operations the fact that prices in the steel industry now look the best that they have for some time and the picture becomes more complete. Mr. Olds wasn't making any predictions, but financially-minded onlookers were. The general feeling is that Big Steel now is in a position, except possibly for taxes, to eclipse earnings like those of \$36,173,682 and \$30,617,638 achieved in the second and third quarters of 1937.

Declaration of the common dividend this week was something of a milestone. Big Steel's directors decided to discontinue common payments back in 1932 and, some time later, reduced the amount being paid on the preferred. Not until 1937 were the arrears on the preferred cleaned up, and the first common payment was \$1 at the end of 1937. The next common payment came in April of this year, and declaration of another now marks the first time since 1932 that the corporation has seen its way clear to pay two within a single year.

## For the Investor

RECENT ADDITION to the investor's bookshelf is the revised "Security Analysis" by Benjamin Graham and David L. Dodd published by Whittlesey House, New York. Rules are given for selection of bargains or rejection of uncertain securities. Concerning second-grade bonds, for instance, the authors advise that "the broad principles underlying the purchase of speculative senior bond issues are: (1) a risk of principal loss may not be offset by a higher yield alone but must be accompanied by a commensurate chance of principal profit; and (2) it is generally sounder to approach these issues as if they were common stocks, but recognizing their limited claims, than it is to consider them as an inferior type of senior security."

Not a book for the neophyte, the work takes up where most books end. It cautions the investor to keep an eye out for persistent low interest rates and nervous dollar value, rather than to depend, as in the past, solely on "highest yield commensurate with safety."

## COMMODITIES

### Copper Surprise

**Thin market brings price increase despite ample supplies and dwindling exports.**

COPPER WAS AVAILABLE as low as 10½¢ a lb. for several days last week and for a few hours this week. When the price was first posted, buyers apparently regarded it merely as a way station on the downward journey of preceding weeks. But purchasing gradually gained in volume and quotations stiffened so rapidly that only a few customers were able to get any quantity of the cheap metal.

This is another example of how quickly and completely price trends can change in these unpredictable days. Behind the reversal lay the fact that the market really was very thin. The big primary producers had clung to 11½¢ a lb., and buyers could get the red metal at 10½¢ only from custom smelters and smaller interests. The primary producers were priced out of the market, but with them went the lion's share of available copper.

### Predict Consumption Rise

By Monday of this week the custom smelters and other sellers had moved a few thousand tons at 10½¢, their supplies were relatively low, and they started to mark prices up. On Tuesday they were quoting 11¢ with the market buoyant.

Total supplies in this country, nevertheless, remain ample. The industry produced around 85,000 tons a month over the first half of this year and actual consumption probably averaged about

70,000. Exports of copper mined in this country took up much of the surplus early in the year, but curtailment of foreign markets resulted in June exports dropping to 3,439 tons, lowest in 15 months. At the end of June stocks of refined domestic copper were 199,600 tons.

Optimism in the metal trade rests on the present substantial demand from England for copper in fabricated form (which doesn't show up in export figures for refined copper) and domestic armament demands. It is freely predicted that industrial consumption in this country will be up to 80,000 tons a month by the end of this year—barring peace in Europe.

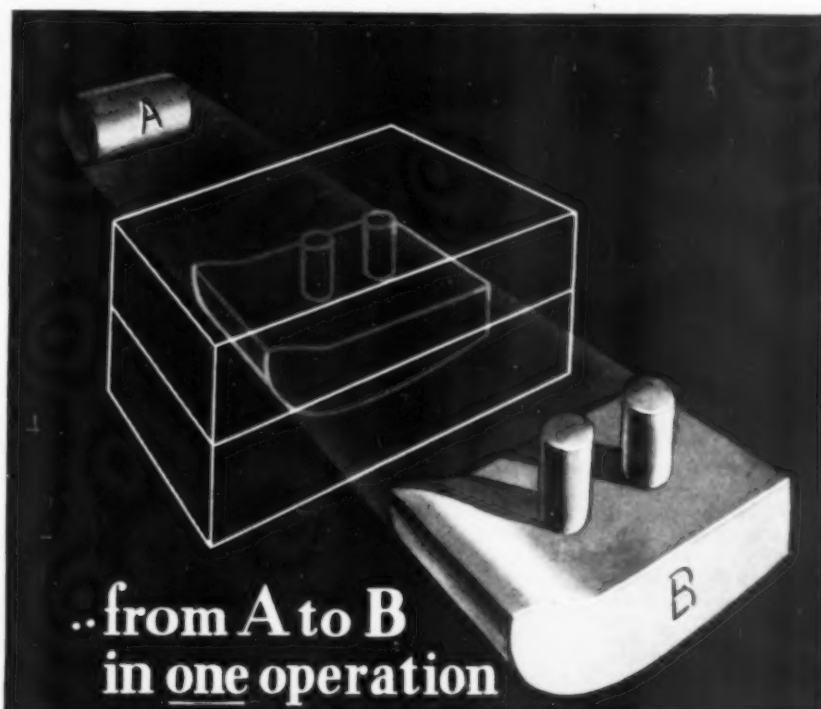
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### DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of one dollar and twenty-five cents (\$1.25) per share on the outstanding common stock, payable September 12, 1940, to stockholders of record at the close of business, August 12, 1940.

B. E. HUTCHINSON  
Chairman, Finance Committee



At one of the plants of a large manufacturer, copper cylinders (A) are being converted into contact fingers (B) with one push in a cold forging operation. Elimination of the transfer of metal to the die in this unique job is effected by the use of "dag" colloidal graphite as a die lubricant.

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## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Havana Plan Up to Washington

**Hemisphere agreement emerges from Pan-American conference about as expected and two committees now take over job of filling in details.**

HAVANA (Cable)—The Pan-American conference has ended and delegates have started home to inform their governments of all that was discussed in the corridors at Havana.

But in Washington committees will get busy early next week, and their action will prove exactly what was accomplished in this sweltering Cuban capital.

As was predicted (BW—Jul 20 '40, p. 15),

the Havana meeting drew up no detailed plan of action to maintain the political and economic independence in this hemisphere. Only the framework of a plan was drawn up, and this is now before the two permanent committees in Washington which were created at earlier Pan-American conferences—the Inter-American Development Commission and the Inter-American Financial and Economic

Advisory Committee. Every Latin American nation is represented on these committees in Washington. In these small groups, detailed plans for hemisphere action will be worked out.

The next Pan-American conference is scheduled for December at Rio de Janeiro. Before it meets, the Americas will know to what extent the Monroe Doctrine has to be trimmed and modernized with a view to fitting their conflicting ambitions and the demands of a changing world.

The Havana conferees made an auspicious beginning on tackling the problem. They agreed—from Mexico to Buenos Aires—that Washington's proposals to form a united administration over Europe's colonies (if they should be threatened with a transfer of ownership as a result of the European war) was a good one. The question now is how skillfully the Washington committees can implement this dream with a practical plan for administration acceptable to all countries.

Hemisphere defense didn't really get

### On the Home Front—In England

**A business man tells what life has been like as Britain has waited for the attack.**

OUR VICTORY, of which I have no doubt, is more than anything dependent on the speed with which we move to the Left, strange as this may sound from a Conservative. This is a point of view to which the whole government seems to have been persuaded by the French collapse. As one evidence of that take note of the trend of social legislation since the Labor members joined the Churchill cabinet—increased old age pensions, increased minimum wages for agricultural workers, raising of the unemployment insurance level to include white collar workers, and milk at half price to nursing mothers and children.

Myself, I think the interpretation currently put on the French collapse—that there was a powerful clique which preferred German domination to a Socialist government—is more or less correct. I do not know how powerful people of similar outlook are in England, but the fact is that many are rightly afraid that the same thing might happen here.

I do not think that it will because I believe there is a basic British patriotism which is made of sterner stuff. The British aristocracy has a tradition of giving way before it is too late. Of course, the extreme Left wing points out that a lot of Englishmen supported General Franco when he turned to the Italians and Germans to help him against his own countrymen, but if they mean to imply that Chamberlain would rather have Goering as Gauleiter [governor or overlord] than Ernest Bevin [former secretary, Trade Union Congress] as Prime Minister, they are talking through their hats.

I am afraid that we all spend too much time discussing what Hitler is

likely to do next instead of planning what we are going to do. The current view in London still seems to be that Germany will try to invade the Isles. Some say the attack will come from Norway through Scotland, in which case the Nazis will have some long sea communications to maintain. Others say it will move from France to the South Coast, where all but permanent inhabitants have already been banned. Others insist that the attempted invasion will be through Ireland.

It is certainly a pity that De Valera will not make a defensive alliance. Low had a good cartoon a few days ago showing De Valera and Craigavon [Premier of Northern Ireland] piling up two little breastworks of half a dozen sandbags against each other while the Germans unrolled a red carpet preparatory to walking in.

#### Need Light Craft for Patrolling

Meanwhile, Hitler seems to be bombing convoys and ports, presumably with the hope of blockading us by air, by submarine, and by the motor torpedo boats which have made their appearance in the Channel in the last few weeks. You have a good many fast light craft in the United States. We need all we can get for patrolling coastal waters. Yet, I see from BUSINESS WEEK that 20 of these boats which were to have come our way have been stopped for reasons which are not quite clear to me. Certainly, our shipping losses have gone up lately, but we don't seem to be starving as the German radio declares we are. And from what one can judge from the air losses published, Churchill's figure of 2½ to 3 German planes for each British plane lost cannot be very much

wrong. So far as one hears, the arms program is going well. Hours are long. In armaments factories they now average nearly 70 a week, with skilled workers paid as high as £12. Though we have taken the "profit out of war" by our 100% tax on war profits, we still are in the same position as in the last war on the wages side. The skilled worker who is being paid £12 a week now probably received no more than £4 before the war. The cost of living is up between 20% and 25%, which means that he is "ahead" about £7. He can save it or spend it. If he saves it the government gets it through the war bond he probably buys. If he spends it he runs into a growing array of restrictions on consumer goods or higher prices.

Air raid precautions are a center of interest again. The Anderson shelters (of galvanized steel sheets which were issued free to all whose income fell below a certain level) have proved a success. Several people who have been in them when a bomb has fallen nearby have been uninjured. In one factory with which I am familiar, six men were in a shelter during a night raid. They heard a number of bombs fall and had a sweepstake as to the distance they were from the explosion. The lowest estimate was a quarter of a mile. One 250-lb. bomb was afterwards found to have fallen 30 feet away!

Bombings have been frequent but rather haphazard and have not done much damage either to life or property. An appeal has been issued to workers in key industries to carry on with their work unless guns begin to fire in the vicinity, in order to keep raids from reducing output as far as possible.



beyond the discussion stage, but economic planning made some progress. From the verbiage of Havana, Pan-American trade plans are likely to develop along these lines:

(1) A trade mission will soon leave the United States to survey all of Latin America for possible sources of consumer goods—inexpensive novelty wares, pottery, textile specialties, handicraft products. This movement probably will spread to the raw material field as American industries find old supply sources in Europe, Africa, or Asia threatened as the war develops.

(2) Washington will make a number of fairly large loans to individual nations in the near future to handle unsold farm surpluses, increase road-building, exploit untapped resources, build warehouses, and finance the marketing of new products.

(3) The United States will take the initiative in developing cultural relations by speeding and enlarging inter-American transport facilities, financing the publication of more literature in Spanish and Portuguese, encouraging the interchange of students, and business visitors, boosting travel to Latin America, and sponsoring more and better radio programs for Latin Americans.

## What Japan Thinks

**Polls of students' parents find sentiment would support war over East Indies.**

TOKYO—By distributing a questionnaire to 45,666 parents and guardians of Tokyo university students, the Japan University Professors' League has secured a cross-section of opinion in upper-class Tokyo circles on questions of vital national policy. Here's what it looks like on the basis of 11,789 replies:

Q.—Are you willing to face an American-Japanese war if the United States should attempt to restrain this country from securing the resources of the Netherlands Indies?

A.—Yes, 6,428. No, 1,334. 40% declined comment.

Q.—Should Japan conclude a non-aggression pact with the Soviet Union to facilitate the construction of a new order in East Asia?

A.—1,181 favored a Russo-Japanese rapprochement as against 513 opposed. 85% of those asked shunned this question.

Q.—Do you want Britain or Germany to win the European war?

A.—Germany, 9,697. Britain, 344. Only 1,757 abstentions.

Q.—Should Japan get involved in the European war as a means of solving the China incident?

A.—Yes, 1,508. No, 7,255. Others (30%) "didn't know."

The high percentage of "don't know" answers might indicate that those who were questioned preferred discretion to expression of opinion.

## Too Much Wheat

**Canada faces serious storage problem with heavy crop. 70¢ guarantee continues.**

OTTAWA (Business Week Bureau)—Canada is faced with an embarrassment of riches in this year's wheat crop, which will reach an estimated 400,000,000 bu. Depressed prices and a shortage of storage room form the crux of the problem with which the government is now wrestling. Canada has storage facilities for some 410,000,000 bu., but the 290,000,000 bu. carryover from last year, of which 20,000,000 bu. is in the United States, plus this year's bumper crop, seriously overtaxes Canada's emergency capacity.

### Farmers Paid for Storage

A five-point government program designed to secure storage and compensate growers for low prices has been put into operation:

(1) The 70¢ guaranteed price per bu. is continued from the 1939-40 crop year.

(2) Farmers are to store as much of their wheat as possible. They will be paid for this storage, at rates to be fixed by the Canadian Wheat Board.

(3) A processing tax of 15¢ per bu. is to be collected on wheat bought by millers for domestic consumption.

(4) The 5,000 bu. limit on individual farmer's sales to the Wheat Board is removed.

(5) The Winnipeg Exchange and futures market is to remain open at the request of Great Britain.

The last item in the government program will enable the British to buy wheat at the world price while Canada will continue to guarantee the 70¢ minimum order to avoid the impoverishment of the farm population, whose normal European markets are shut off. The maintenance of this price subsidy is likely to cost the government a sum second only to its direct war-effort expenditures. Last year the government paid out \$50,000,000.

### Shifted to Consumers

Further complicating the problem is the necessity of keeping living costs down. Proceeds of the processing tax are earmarked to meet government losses on the program, and the government announced that there was no reason why the tax should be passed on to consumers, but the milling companies, who control virtually all Canadian baking and distributing companies, have upped flour prices to the bakeries, who in turn have announced that they will be forced to increase bread prices one cent per loaf. The government threatens action to prevent this, and if the price rise is forestalled the probable upshot will be that the few remaining small independent bakers will be squeezed out of the field.



This true and typical business tragedy followed the introduction of a system of controls over purchases and payments that was so "thorough" nobody bothered to check up on it. Until—after four years—\$250,000 had been embezzled!

Had this firm been protected by an American Mutual Fidelity Bond, a special loss-prevention service would undoubtedly have plugged the leak at the very start. The object of this service is to help you find and eliminate any likelihood of embezzlement (of course, without embarrassing honest employees).\*

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\*Write for "There's No Vaccine for Embezzlement," a free booklet. Address American Mutual Liability Insurance Company, Dept. H-9, 142 Berkeley Street, Boston, Massachusetts.

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## Japan Tries Cotine

TOKYO (*Business Week Bureau*)—Japan, which grows no cotton although it is the world's number one exporter of cotton textiles, is experimenting with the new textile fiber, cotine, which is not a synthetic product but the result of selective plant cross breeding. The fiber has a staple length of one and one-fifth inches (which brings it into the range of the best long staple Upland cotton of the Mississippi delta) and it is said to compare favorably in tensile strength with hemp and flax.

Seeds, and patents relating to the extraction and treatment of the fiber, have been purchased from Cotine Products, Ltd., London, and an experimental plantation covering several hundred acres has been started in Kagoshima Prefecture, Kyushu, under the personal supervision of 65-year-old Viscount George Jones de Fleury, Cotine Products' managing director.

If the try-out is satisfactory, the Japanese plan to take up intensive cotine cultivation in Manchukuo and China, with the eventual hope of producing 16,000,000 lbs. of the substitute annually.

## BRIEFED FROM THE CABLES

BERLIN (*Cable*)—The influential *Deutscher Volkswirt* coined a new word this week which is already being taken up all over Germany: "Neuropa"—an abbreviation for "the new Europe" which is being created by Nazi victories.

MOSCOW (*Cable*)—Further consolidations of Russia's rapidly growing foreign trade are indicated by the signing of a new trade agreement with Afghanistan. The agreement, signed last week at Kabul, arranged for larger annual trade turnover between the two countries. Previous to the war, Afghanistan did 40% of its annual export business with the Soviet Union, selling wool, livestock, karakul, and carpets, and buying in exchange petroleum products, cloth, and manufactured goods.

The agreement, specific details of which are undisclosed, may possibly envisage Russian assistance in the development of rich Afghan gold deposits, in line with Soviet policy of lending technical skill wherever possible to surrounding countries in the interest of good relations.

In addition to the Afghan agreement, an Hungarian trade mission is scheduled to arrive in Moscow on Aug. 15. Hungary is particularly interested in Soviet oil and lumber.

Expected shortly is the announcement of the conclusion of commercial agreements with Sweden and Denmark, negotiations for which have been amicably proceeding in Moscow. But Russo-Japanese trade discussions are still being held in abeyance.

LONDON (*Cable*)—Under the terms of the Purchase Tax Bill just put into effect,

rates of 33 1/3% on wholesale prices of "luxury" items such as china, porcelain, haberdashery, cosmetics, and furniture have been established. Clothing—excepting children's, which is exempt—shoes, medicines, newspapers, and books will support a 17% sales levy.

The purpose of the act is to restrain internal consumption of non-essentials and to provide additional revenue to finance the nation's war effort.

The necessity of saving packaging material and storage space and of releasing labor for more essential production hastened the passage of the bill despite the complaints of American importers who pointed out that by the terms of the U. S. Tariff Act, duties are levied on the "foreign value" of imported goods, which is the price at which goods are offered for sale in wholesale quantities in the country of origin. The sales tax thus ups the foreign value of luxury items by 33 1/3% with proportionate customs increases in the United States. It is hoped that the revenues derived and the domestic economies effected will counteract the loss of foreign exchange that will result.

TOKYO (*Business Week Bureau*)—The Nippon Soda Co. and the Hodogaya Chemical Co. are reported ready to go into production of tetraethyl lead and similar compounds, as two of the three American patents protecting the use of chemicals for improving the anti-knock quality of motor fuels expired last year, and the third is due to mature in June, 1941.

If these plans materialize, the Ethyl Gasoline Corp., owner of the patents, and the Asano Bussan Kaisha, sole Japanese licensee, stand to lose a profitable business in Japan, for tetraethyl lead is widely used to step up the octane rating of aviation fuels. Competition from synthetic hydrocarbons, such as iso-octanes, has been slight, for it was only recently that a small polymerization plant for the production of iso-octanes was completed by the Mitsubishi Oil Co. Because of the limited output from this source, the army and navy's fuel depots will look to tetraethyl lead as the principal means of improving the anti-knock rating of aviation fuels for a long time to come. The patents were originally taken out by the General Motors Research Corp., later assigned to Ethyl Gasoline Corp.

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# THE TRADING POST

## Slant on Taxes

HERE IS A CANADIAN who says: "Don't worry about taxes" and who writes to explain why. I'll let him tell it:

"Now that the real meaning of Hitlerism is becoming apparent to the United States and that your country also realizes how easy it is to be lulled into false security by cockeyed pacifists, your people, like Canadians, are worrying about taxes. How few of us understand taxes indeed. There is danger now that damages arising from ill-conceived and ill-applied taxes may become, over the years, as great as the damages of war. Brakes are essential to the safe running of a car. Taxes, like brakes though, if applied before the car gets into motion may cause us to wonder why there is no pick up.

"Anyway isn't it silly for the public to worry until they consider the relative costs of the items that enter into everyday life? In Canada, for instance, we pay more each year for tobacco and alcoholic drinks than would pay for the interest and sinking fund upon the entire cost—at our rate of expenditure—for this war, even if it should last for four years. Our danger in Canada, though, is the hysteria and ignorance of tax imposition, which for some time has tended strongly towards killing the kind of constructive initiative that has built up this continent. But at the present time your country has the disease in Washington in a more dreadfully advanced stage than Canada has it at Ottawa.

"The annual expenditure in the United States for tobacco and alcoholic beverages exceeds ten billion dollars a year. By such comparison your national debt does not seem appalling to anyone who can think. Supposing the cost of rearmament and war were to be interpreted as equal to doubling the cost of the nation's smokes and drinks for a period of five, or even ten years. Do you realize how large a sum this represents?

"Obviously taxes on that scale for the preservation of our liberties are nothing to worry about. But if the political scientists, who are rolling up their sleeves for the application of these coming taxes, are no more capable than the so-called statesmen and military experts of Canada and her Allies have proven to be in the past decade, then we have reason for forebodings. But somehow I feel that, knowing the danger, we can pick our leaders of the future more intelligently than we have picked those of the past.

"So, from a monetary point of view, if we can win the war at no greater expenditure, say, than the equivalent of doubling, for a few years, the cost of our tobacco and booze bill, we should have no cause for dismay."

## Industry Born of Science

IN THE MAIL the other morning, I received an announcement of a "Symposium on Hydrobiology" to be held at the University of Wisconsin in September.

The subjects to be discussed range all the way from "The Ecological Relations of the Larval Trematodes of Freshwater Snails" to the "Penetration and Scattering of Solar and Sky Radiation in Natural Waters of the Pacific Northwest."

In the same mail, I received from the Mellon Institute of Industrial Research, a copy of "Nutritional Observatory" which is a quarterly journal published under the auspices of the Institute, and distributed gratis to physicians, nutritionists and dieticians by H. J. Heinz Co. Its purpose is to present brief articles on important new research in the field of nutrition.

In the same mail, I received also a pamphlet describing in considerable detail work done at the Mellon Institute for the American Refractories Fellowship in researching the chemical and physical properties of various clays and their behavior under a broad range of vicissitudes.

The same day I noticed in the newspapers an announcement that President Roosevelt had set up a National Defense Scientific Research Committee, charged with coordinating scientific investigations in line with plans for national defense.

All this is simply to emphasize the prodigious importance of scientific research in our time. Every one of the very highly specialized—and in some cases to me almost unintelligible—subjects covered in these and thousands of other research reports and publications, has a direct bearing on the commonplaces of modern life. Today it is but a short step from the research laboratory to the factory, the office and the home.

A few weeks ago, I spent a fascinating day in the new engineering and research laboratories of the Chrysler Corporation. There I saw scientific equipment that must run into a vast investment and that not so many years ago would have had no place in a practical industrial plant. But there it was, working to give Mr. and Mrs. John Q. Public better automobiles at lower cost. And that is no mean practical accomplishment.

The story of American industrial accomplishment to date has been one of aggressive scientific research with courageous technical application of its findings. From all signs, we are going to need during the years just ahead of us even more of the same kind of medicine and the same kind of courage if we are to maintain our place in a new world economy.

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

August 3, 1940

## The Real Amortization Problem

**I**F THE UNITED STATES were Germany, there would be no squabble over the business man's right to amortize the plant he builds for defense requirements. And that's not because in Germany a business man's rights are few and far between. Rather, it's because the German attitude toward an army is radically different from ours.

In Germany, the armed forces are regarded as a permanent part of the political and social structure. Managers of German munition and airplane plants probably are not the least bit concerned about government orders stopping dead once the war is over; they fully expect that the government will release sufficient business to keep them tuned up for peak arms production on short notice. That's the German way of looking at things; consequently business men do not ask for special revenue laws to protect them against a sudden stoppage of orders.

But in this country, preparedness is regarded as a passing phenomenon. Accountants, lawyers, and corporation executives generally look upon factories built for national defense purposes as hostages to a current emergency. So they want to guard against being left—after the war orders cease—with a huge and useless plant capacity, represented as an asset on their balance sheets but as a debit in their bank accounts.

**S**UCH a precautionary attitude is a natural carry-over from the World War. After the Armistice, American arms expenditures rapidly diminished, and companies which rallied to the call for munitions found themselves tied up in long litigation with the government on their right to amortize the specially-built plant during its actual life in munitions output. So this time business men are reluctant to take a chance. They have even hesitated to accept the commitment of the Administration to allow a five-year period of amortization on plants constructed for defense needs (*BW*—Jul 13 '40, p7). They want to see the legislation in black and white in the President's hands—on the theory that there's many a slip between a Presidential promise and a Congressional rollcall.

In an ordinary commercial operation, the problem would more or less solve itself. Indeed, it comes up almost every day. It's true that the Internal Revenue Bureau has stringent rules on depreciation that prevent amortizing plants in a hurry. But that does not stop a chemical company, say, from erecting a plant which might be obsoleted by a new process inside of two or three years. What the chemical company does—to take care of that contingency—is to charge

into the price of its product a sum sufficient to recoup its investment in the plant. Its customers pay the bill for expansion. But on defense orders, the customer is the government. The government is the arbiter of costs—for most of the contracts are being written on a cost-plus basis. So, if the government does not accede to rapid amortization charges as a proper cost, the producer gets hit in two ways: (1) He cannot recoup his investment in his plant as quickly as he thinks he ought and (2) the very amount that he wants to charge off—the amortization—becomes a profit for tax purposes. Thus he actually pays a tax on a cost!

Right now this tax angle is especially important. Usually a business man enters a deal knowing approximately what his taxes are to be. At the beginning of this year, for instance, he could figure on a federal tax rate of 18%. This rate subsequently was jacked up to 20.9% on corporate incomes above \$25,000. Though this change was made as recently as June, still business men cannot estimate their tax rates in the 1940 year. For an excess profits tax is still to come.

**T**HUS, EVEN IF a business man wanted to forget about the whole business of amortization and go ahead on his own by charging the cost of new plant and equipment into a fixed price for his product, he'd still be in a quandary. For, obviously, this price would have to make an adequate allowance for income taxes. And when it is considered that last year, the effective corporation tax rate was about 16% and that this year it may rise to 29% and even higher (chart, page 13), it becomes clear that the margin of error is wide.

Moreover, with taxes on the increase, earnings which would normally cushion against unprofitable plant expansion are not going to be available. Thus, corporation executives are inclined to be doubly cautious until they know (1) the excess profits tax rates and (2) the amortization schedules.

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